ALBERTANS WORKING—

SAFE HEALTHY STRONG

AND ALBERTA

OUR VISION, IN FOCUS

WCB-Alberta 2001 Annual Report

Contents

Message from the Chair 1
Board of Directors 2
Strategic Management Council 2
Message from the President and CEO 3

SAFE = PREVENTION 4
PIR and safety 5
Employer profiles
R-Alta 6
SCM Supply Chain Management Inc. 8
Product and service solutions 10
Prevention awareness initiatives 12

HEALTHY = RETURN TO WORK 14
Millard Health 16
Continuum of Care Models 17
Injured worker profiles 18
Disability management/Modified work 20
Employer profile
Weyerhaeuser Canada 21

STRONG = CUSTOMER SERVICE 22
Achieving corporate goals 24
Case manager/Injured worker profile 25
Commitment to fairness 26
Injured worker profile 27
Simplifying service 28
Life of a claim 29
Strengthening relationships with stakeholders 30
New medical panel process 30
Financial accountability 31
Premium rate increase 31

FINANCIAL STATEMENTS 32

Year at a glance 52

Our Role

The Workers' Compensation Board-Alberta is a not-for-profit mutual insurance corporation funded by employers. The WCB provides cost-effective workplace liability and disability insurance to 1.3 million workers and over 101,000 employers. In 2001, WCB administered 145,916 new reported claims.

WCB is charged with balancing the interests of workers and employers under a social contract put forth in 1913 by then Chief Justice Sir William Meredith to provide no-fault disability insurance for the mutual benefit of workers and employers.

The system, funded entirely by employers, provided an assurance to workers and their families that medical and rehabilitative care as well as a buffer from financial hardship would be there while workers injured on the job recovered from their injuries. In return, workers gave up the right to sue employers for work-related accidents.

WCB administers this social contract and recognizes, as do our counterparts around the world, that inherent to our role is the evolution and change of the workplace and balancing the interests of workers and employers in policy and legislation. It is this dialogue of interests and needs which gives rise to reviews and debate on the aspects of our business—effectively the ongoing renegotiations of the social contract. WCB submits that all renegotiations must be framed within the intent of the Meredith Principles, on which the system is founded, and must maintain the balance of fairness between workers and employers.

Message from the Chair

In 2001, WCB-Alberta listened to its customers and responded to the changing business environment. In particular, the corporation renewed its commitment to work with its partners to keep Alberta's employers and workers safe, healthy and strong.

Under the Corporate Governance Policy, the Board of Directors is responsible for fairly balancing the interests of workers, employers and the public. We carefully consider that delicate balance in every decision we make in order to maintain the credibility and vitality of the workers' compensation system.

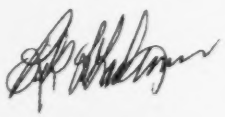
2001 presented many opportunities to show that balance in action. For instance, members of the Board of Directors and the senior executive team regularly met with stakeholders to identify strategies to improve WCB-Alberta, based on recommendations made in the two government review reports. As a result, the majority of the government's recommendations stakeholders supported were either already in effect or implemented last year, with additional improvements to be rolled out in 2002.

Building a stronger relationship between government and WCB-Alberta was a priority for the Board of Directors last year. We also reaffirmed our commitment to open, timely and transparent communication. For the first time, the corporation held a stakeholder briefing on 2002 Premium Rates, prior to making a media announcement. More than 200 stakeholders came to learn more about the factors driving the premium rate increase, and to ask questions.

Customer service and accountability continued to be cornerstones of the business. The Customer Contact Centre answered more than 845,000 telephone inquiries from employers and workers. Almost 146,000 new WCB claims were processed, including approximately 40,000 claims where workers were injured seriously enough to miss time at work. Over 65% of injured workers received payment within 14 days of registering their claim, so they could focus on a safe and healthy return to work.

Looking ahead, the Board of Directors approved a new strategic plan to lead the corporation into the future. Over the next three years, WCB-Alberta will make decisions that demonstrate its commitment to fairness. In conjunction with its partners, the WCB will leverage prevention and measurably reduce the impact of workplace illness and injury. The business focus will be on a safe, appropriate and early return to work, to benefit both workers and employers. Financial stability will ensure injured workers continue to receive fair benefits, and employers continue to pay fair premiums that reflect safety performance.

Despite continued improvements in the way WCB-Alberta operates, one statistic did not improve: an Alberta worker was injured on the job every three and a half minutes. A significant improvement in safety performance will require a significant commitment by government, employers, workers and WCB-Alberta, to bring our vision into sharper focus in 2002.



Rick LeLacheur
Chair, Board of Directors
WCB-Alberta

2001 Board of Directors

From left to right:
Rick LeLacheur (Board Chair)
Mary J. Cameron (President and CEO)

Representing the interests of employers
D.M. (Bud) McDonald
John Hokanson
Don Ritz (Vice Chair)

Representing the interests of workers
George Chatschaturian*
Tony Gordon
Gerrie Rajotte

Representing the interests of the general public
Gary Cerantola
Barry T. Munro
Tom Shields

*passed away April 18, 2002

2001 Strategic Management Council

From left to right:
Guy Kerr
V.P. Customer Service and Disability Management
Mary J. Cameron
President and CEO
Ron Grainger
Chief Financial Officer
Roxy Shulha-McKay
V.P. Employee and Corporate Services
Doug Mah
Secretary and General Counsel
Dieter Brunsch
V.P. Customer Service and Risk Management
Jim Wheadon
V.P. Business Development and Information Management

Message from the President and CEO

2001 was a year in which WCB-Alberta focused on accountability, customer service and our relationship with stakeholders. Our vision, *Albertans working—a safe, healthy and strong Alberta,* guided our decisions to ensure the workers' compensation system continues to meet the current and future needs of injured workers and Alberta employers.

As an organization, we set our sights on identifying inefficiencies and improving business processes in response to our ever-changing environment. Our Next Generation Claims initiative introduced new technology to case management, and offered opportunities for case managers to provide more customized service by better tracking specific client needs within the system. Through our Customer Contact Centre, we increased accessibility to WCB services and identified more convenient ways for our customers to reach us.

We set measurable outcomes to evaluate the effectiveness of our programs and services, with a particular focus on customer service—and saw results. In a year with increased pressures on the system, including higher claims costs and soaring medical costs, we achieved an overall customer satisfaction rating of 77% of injured workers and 84% of employers. WCB-Alberta also worked together with our customers to see almost 82% of injured workers return to work with their pre-accident employer.

Working in partnership with employers, workers, labour and government, we identified opportunities to strengthen the system for all stakeholders. For instance, together we developed a more transparent, arm's-length Medical Review Panel process that will provide greater access for injured workers and their treating physicians to a medical panel. We also started work on a pilot project for alternative dispute resolution, which will be rolled out in 2002.

Financial pressures on the system continued to increase, as claims costs totalled more than $916 million—up 94.5% since 1997. The largest portion of that increase was due to rising medical costs, which rose by 105%. In addition to rising claims costs, revenue from WCB investments declined by 23%. As a result, we saw the average premium rate for 2002 increase by 27.3%—yet Alberta still offers the fourth-lowest average WCB premium rate in Canada.

We also started to see tangible signs that employers' efforts to improve workplace safety are making a positive impact on reducing the number of workers injured on the job. The number of workers who were injured seriously enough to lose time from work decreased by 1%, even though the number of workers covered by the WCB rose by more than 7%.

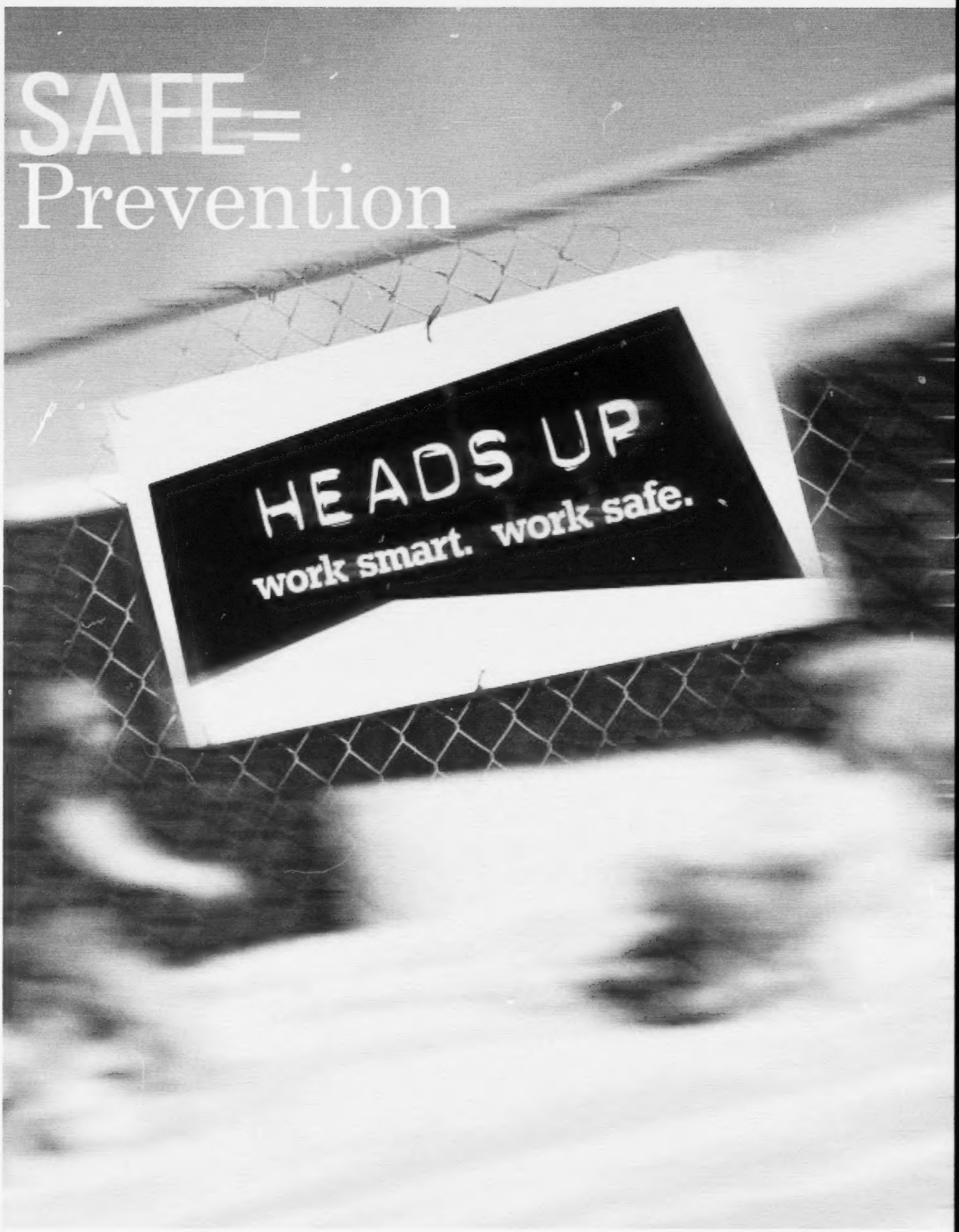
WCB-Alberta continued to support the safety efforts of employers through performance incentives such as the Partners in Injury Reduction (PIR) program. Employers who participated in PIR had 31% lower claims costs than non-PIR participants, and will receive approximately $24 million in premium refunds in May of 2002.

The end of 2001 brought the launch of a new Strategic Plan for 2002-2004. The four strategic themes—commitment to fairness, leveraging prevention, focus on return to work, and financial stability—build on the past, and define where WCB-Alberta will concentrate its efforts in the future.

Reducing the impact of workplace illness and injury is significant, life-saving work. Together with our stakeholders, WCB-Alberta will continue to embrace the challenges and opportunities ahead of us... to keep our vision in focus.

Mary J. Cameron
President and CEO
WCB-Alberta

SAFE= Prevention



We envision SAFE Alberta worksites.

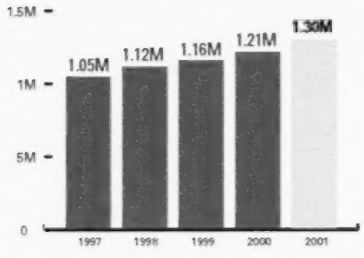
The Workers' Compensation Board-Alberta works in partnership with safety associations, employers, workers, labour and government to promote the prevention of workplace injuries and illnesses. Everyone has a role in encouraging a safety mindset on the job. The WCB offers pricing incentive programs and invests in safety education programs to help our partners leverage prevention opportunities.

Focus on promoting prevention

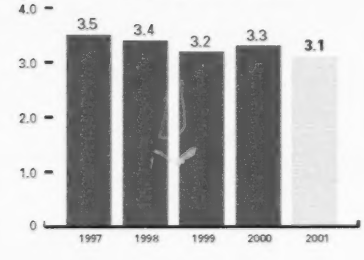
"Safety is a collective responsibility. Prevention is our strongest tool in reducing the devastating impact of workplace illness and injury on employers, workers and their families."

—Dieter Brunsch, Vice President, Customer Service and Risk Management, WCB-Alberta

Number of workers covered



Lost-time claim rate per 100 workers



During 2001, Alberta's booming economy saw a 7% growth in the number of workers covered by the WCB, and a 5% growth in the number of employers paying for WCB coverage. A growing workforce can result in a comparable increase in injury rates, but in fact the number of claims where workers were hurt seriously enough to lose time away from work decreased by 1%. That means both employers and workers are taking on-the-job safety more seriously. But we still have work to do.

Claims costs have ballooned by 94.5% since 1997, totalling $916 million in 2001. With rising claims costs come higher premium rates, not to mention the indirect human and financial costs of workplace injuries. As a result, more employers are taking action to reduce their injury rates and lower their premiums. They refuse to accept injuries as part of the cost of doing business.

Did you know?

Alberta currently has a rate of 3.1 injuries for every 100 workers. If Alberta reduced its lost-time claim rate to 2 injuries for every 100 workers, claims costs would go down by more than $190 million. That translates roughly to 42 cents per $100 of insurable earnings, on the average premium rate.

It pays to be safe

In 2001, 4,355 Alberta businesses participated in WCB-Alberta's Partners in Injury Reduction (PIR) program. More than 3,000 employers reduced injuries and made significant improvements toward the health and safety of their employees. They will share in approximately $24.7 million in refunds in May of 2002.

Take aim at a *PIR*fect safety record

PIR is a voluntary incentive program that operates through the combined efforts of WCB-Alberta, the provincial government's Human Resources and Employment-Workplace Health and Safety branch and 17 industry safety associations. Designed to encourage injury prevention and workplace health and safety practices, the premium incentive program is offered to all employers in the province, regardless of size or industry.

In 2001, approximately 39% of Alberta's workforce were employed by PIR participants. That's good news for workers and employers, because employers who are committed to health and safety and disability management achieve significantly better results than other employers, and enjoy a distinct premium advantage.

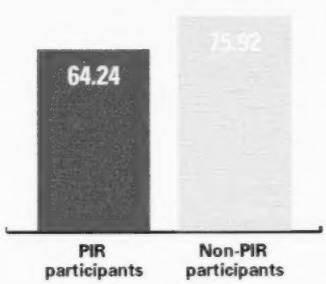
Through PIR, employers can

- earn up to 20% in WCB premium discounts
- achieve or maintain a Certificate of Recognition (COR)
- improve safety performance
- increase profits and worker productivity and
- demonstrate leadership in workplace health and safety.

Employers get refunds by

- earning a Certificate of Recognition (COR) and
- improving safety performance or maintaining industry leadership in safety.

Lost-time claim rate per one million dollars of premiums



PIR participants achieved a lost-time claim rate that was 15% lower than that of non-PIR participants overall (64.24 claims per $1 million in premiums versus 75.92)

"When employers and workers voluntarily develop workplace health and safety management systems in their own workplaces, the human and financial costs of injuries are reduced. Today with Alberta's economic growth continuing to lead the nation, keeping all worksites safe is everybody's responsibility."

—Clint Dunford, Minister, Alberta Human Resources and Employment

"PIR has been very successful in the construction industry. In 2001, construction companies having a COR had almost a 40% lower lost-time claim rate compared to non-participants. Not only did they reduce the human suffering caused by incidents, they also received over $7 million in partnership rebates."

—Gary Wagar, Executive Director, Alberta Construction Safety Association

"There is a SAFE and EASY way to save money on your WCB premiums."
—Ron Holtz, owner and operator, R-Alta, Nisku

A small company making big changes

R-Alta owner Ron Holtz and his team believe in a safe work environment. R-Alta rents tanks, pumps and loaders out to the drilling industry. The company's shop in Nisku also offers a repair service for submersible pumps.

Ron Holtz works hard for his money. The father of three often fumbles for his ringing cell phone at midnight—another out of town job. "Gotta go," he whispers to his wife as he leaves. These hours are just part of the job.

Another part of Holtz's job as owner of a small oilfield service and rental company is to pay WCB insurance premiums so he and his workers are covered in the event of workplace illness or injury. But WCB coverage costs money.

"I was upset when I saw that my premiums were going up again this year, because when you operate a small company, a few extra hundred dollars a year makes a difference," Ron says.

The average WCB premium rate has increased because of rising claims costs—in particular, medical costs to treat injured workers. Hundreds of workers in Alberta's booming oil and gas industry get injured on the job every year, which impacts WCB premiums for all businesses in that sector, large or small, including Ron's.

It's frustrating for employers like Ron, who have very few or no claims, to watch their rates increase despite good safety records. And although a small employer like Ron has no direct control over his industry's overall safety record, he is taking action to reduce his company's WCB premiums.

Ron is one of 5,800 employers who have joined Partners in Injury Reduction (PIR) in the past two years. Thanks to Ron's efforts, his rates will be slashed by 20% this year.

PIR rewards safe employers with rate discounts. Employers with excellent safety records *should* pay lower rates than those with poor safety performance. In fact, employers who participate in PIR have 15% fewer workplace injuries and 31% lower claims costs than other employers.

"Being part of PIR has really made a difference to my bottom line," says Ron, "and most of all, to my guys' safety."

Ron's Investment:
- $400 and 15 hours (to attend COR course)
- 45 hours to develop a safety policy

Ron's Payoff:
- Lower WCB premiums
- More business (large clients like Exxon-Mobil insist on contractors like Ron being certified)
- Safer worksite (lower personal costs due to fewer employee injuries)

Thanks to our 2001 Certifying Partners for helping us make participation in the PIR program as easy as

1

Register with WCB.

Call the Customer Contact Centre at 498-3999 in Edmonton or 517-6200 in Calgary, or visit our website at www.wcb.ab.ca for more information.

2

Contact your industry safety association ("Certifying Partner").

Find out your industry's requirements and standard for your size of business.

3

Earn your Certificate of Recognition (COR).

What do Alberta employers say about PIR?

"Because of the PIR program we were able to hire an onsite safety coordinator and the rebates pay for the salary. Now employees are more aware of health and safety issues and we are better able to enforce safety standards."

—Adrian Schuurman, General Manager, Mid West Pump Ltd., Lethbridge

"The PIR program really affects our bottom line. The less cost to us, the less money in WCB premiums we have to pay, and the more money floats down to our employees. We put the refund into an education fund to pay for all our employees' safety programs."

—Jay Jay Timmons, Office Manager, Art's Excavating, Medicine Hat

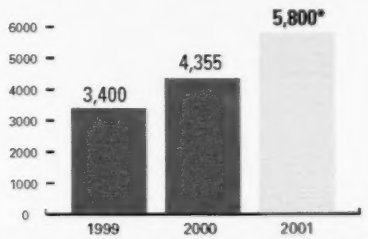
"The Partnerships program has given our company a goal to achieve. The auditing process allows us to measure our commitment to a safe and healthy workplace, while the rebate program gives us recognition for achieving our goals."

—Stuart Carson, Environment, Health and Safety Coordinator, GATX RAIL Canada, Red Deer

"The PIR program has helped us focus our attention on health and safety issues and has resulted in lower accident frequency. We will continue with this program and I'd recommend any company becoming involved."

—George Lightfoot, Supervisor, D & J Isley & Sons Contracting, Grande Prairie

PIR registrations



*Registrations for the 2002 PIR program received by Dec. 31, 2001

Membership in the PIR program grew by 33.1% over the previous year

Did you know?

- *In 2001, participating employers had 15% fewer lost-time claims and 31% lower claims costs than non-PIR participants.*
- *Businesses receiving refunds were located all across the province and represented a wide range of industries including commercial industrial cleaning, construction, food processing, couriers, trucking, manufacturing, electrical and power companies, hospitals, drilling services, coal mining and sawmills.*
- *One company earned a PIR refund of $495,000.*

"People in all departments now present topics on safety in meetings. Staff morale has increased because people have a sense of ownership."

—Trent Petersen, Health and Safety Coordinator, SCM Supply Chain Management Inc., Calgary

Turning costs into refunds

Trent Petersen, Rick Peden and Gerald Bogner all contribute to safety at SCM's warehouse in Calgary.

Trent Petersen of SCM Supply Chain Management Inc. is a big fan of PIR. Since getting involved, SCM has seen dramatic reductions in workplace injuries and accidents.

As the distributor for a large retail chain, safety is a huge concern. Their impressive one million square-foot facility has twelve kilometres of computer-controlled conveyor belts and 100 pieces of lift equipment.

Lots of machines mean lots of potential hazards, so SCM decided to include all staff from every area of the company in PIR—not just the health and safety department. "By including everyone, they could all develop a greater sense of community and talk to each other about the value of safety," he says.

What was their motivation for joining PIR?

"Our obvious reason still is cost-reduction," says Petersen. "But it's our corporate philosophy that if we reduce accident costs, we also reduce issues for our employees—like hospital stays, or lost time, or being on WCB—and we create a win-win situation for all."

Once paying high premiums, SCM will now enjoy a $93,265 rebate for improving safety performance in 2001. With help from the WCB, the Alberta Association for Safety Partnerships, and Alberta Human Resources and Employment, they revamped their whole health and safety program and achieved buy-in at all levels.

"People in all departments now present topics on safety in meetings. Staff morale has increased because people have a sense of ownership, and they feel they can personally affect change in their workplace."

Petersen says participation "one person at a time" has also changed the industry. "We have a better sense of the corporate community around us. By working with auditors and certifying partners, we've gotten to know our corporate neighbours and member community."

Insuring the future of Albertans

Not all Albertans have the benefit of workers' compensation coverage. In 2001, the WCB continued educating business owners about the benefits of voluntary coverage, and implemented improvements to existing products.

"The Alberta Dental Association and College supports Workers' Compensation coverage for our members. WCB coverage protects dentists and their employees against the potential risks associated with work-related injury and illness."

—Dr. Gordon Thompson, Executive Director and Registrar, Alberta Dental Association and College

"The Product and Service Solutions (PS²) team educates Alberta business owners about voluntary workers' compensation coverage," says Dieter Brunsch, Vice President, Customer Service and Risk Management, WCB-Alberta. "We want business owners to make informed decisions regarding their workplace coverage needs."

In 2001, an additional

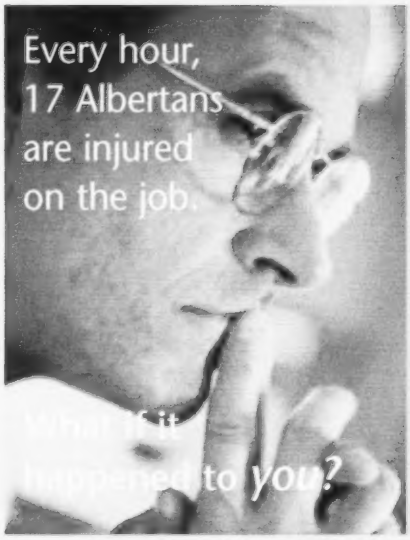
- **3,154 business owners signed up for Personal Coverage.** Personal Coverage is offered to proprietors, partners, and corporate directors, to provide protection from the consequences of a work-related injury.
- **353 businesses voluntarily chose to purchase coverage in the agriculture, medical, and dental industries.** Exempt Industry Coverage is offered to businesses not automatically covered by the *Workers' Compensation Act*.

PS² also introduced "Guaranteed Coverage." Business owners in 91 different industries can now purchase Personal Coverage at the Guaranteed Coverage amount without proving earnings.

Previously, any policyholder who purchased coverage above the minimum had to submit documentation and prove earnings—to the level of coverage—if injured.

"We are excited about these results," adds Brunsch. "It supports our mandate of providing excellent customer service."

PS² uses a team approach to achieve objectives. Internally, the PS² team works with the Customer Contact Centre, Account Management, and Audit. Externally, partnerships have been formed with key industry organizations including Alberta Agriculture, Food and Rural Development, and the Alberta Dental Association.



Can you afford to be without the *right amount* of Personal Coverage?

Injury impacts farm worker—safety first this harvest season

"I knew I should have stopped for the night, but the work needed to get done."

—Robert Hoffart echoes the thoughts of many Alberta farmers during harvest season.

Amid low grain prices, bad weather and broken equipment, safety often takes a backseat to getting the crop off. Robert Hoffart, an employee of L.T. Semler Cattle Co. Ltd. in Barrhead, knows this thinking too well. On September 9, 1999, Hoffart was packing silage at night when high winds blew it around, creating blizzard-like conditions. Suddenly blinded, Hoffart rolled his tractor over the edge of the silage pit. He was thrown and pinned under the tractor while co-workers tried to free him.

Hoffart suffered injuries that kept him off work for over a year. A heavy-duty mechanic, welder and machine operator who normally worked 16-hour days, he returned to paperwork for only one hour a day. Today, he works six hours a day.

"I still suffer. The pain is constant," says Hoffart. "I take daily doses of medication that makes me feel sick. I wish the pain would go away."

Hoffart's employer, Lorne Semler, was prepared. Semler has maintained WCB coverage for himself and his workers since 1996.

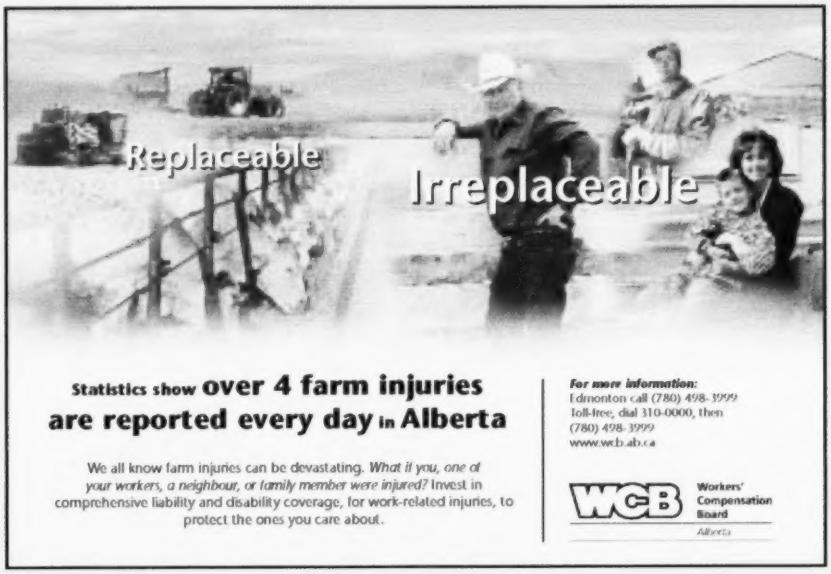
"When I found out Lorne had coverage I was very glad. WCB has been great, very responsive to my questions or concerns," says Hoffart, who receives comprehensive benefits including 90% of his net income in wage replacement, extensive rehabilitation including physiotherapy and a back brace, paid prescriptions and other medical expenses.

And Semler's farm business receives liability protection from worker injuries. "Purchasing coverage was one of the best moves I made, not only for my workers, but for my protection as well."

Other Alberta farmers and ranchers are doing the same. Over 1,700 farmers have WCB accounts. In 2001 alone, over 250 farm owners opted to purchase the optional coverage.

"Agriculture is a high-risk industry with over four reported farm injuries per day. An injury can be very hard emotionally on the person and their family. If they don't have coverage, financial hardships and legal implications add to that stress," says Dawn Makarowski, WCB Marketing Representative. "First and foremost, work safely. When you consider the impact a farm injury can have, it is just too great to ignore."

Targeted ad campaigns and mailouts promote the benefits of Personal Coverage to business owners and corporate directors.


Replaceable
Irreplaceable
Statistics show over 4 farm injuries are reported every day in Alberta
We all know farm injuries can be devastating. What if you, one of your workers, a neighbour, or family member were injured? Invest in comprehensive liability and disability coverage, for work-related injuries, to protect the ones you care about.
For more information:
Edmonton call (780) 498-3999
Toll-free, dial 310-0000, then (780) 498-3999
www.wcb.ab.ca
WCB
Workers' Compensation Board
Alberta

Building partnerships that work

The numbers don't lie: We know injury prevention improves productivity, and produces stronger businesses. We also know that increasing safety awareness with both employers and workers is the key to stopping injuries before they happen. Together with our partners, the WCB-Alberta develops and sponsors innovative programs that encourage everyone to make workplace safety their top priority.

The Award is WorkSafe™

...to recognize innovative injury prevention and disability management programs, employee training and wellness programs, and integrated health and safety initiatives of Alberta businesses.

WCB-Alberta has sponsored the WorkSafe Award for three years, as part of the Alberta Chambers of Commerce Business Awards of Distinction ceremony. 2001 marked the first year that both a large employer (100+ employees) and a small employer (less than 100 employees) were recognized.

And the winners are...

Chemco Electrical Contractors Ltd.

Chemco's health and safety program includes an extensive employee and subcontractor training program, a new employee orientation and mentoring program and an innovative on-the-job stretching program, the first of its kind in their industry. The program has been such a success that stretching before and during work has become part of Chemco's corporate culture, reducing the number and severity of workplace strains.

Employees and managers do daily stretching at Chemco Electrical Contractors Ltd.

Davco Machine Limited

Davco showed that you don't need to be big to be safe. Davco's health and safety program extends beyond the workplace, encouraging employees to adopt healthy lifestyles and take an active role in identifying risks and opportunities to improve safety practices. Davco has seen the competitive advantage that comes with an exceptional annual safety record.

"The continued support this award receives from Alberta businesses and industries indicates they are recognizing the positive impact an effective staff health and safety program has on their employees, their business and their bottom line."

—Mary Cameron, President and CEO, Workers' Compensation Board-Alberta

Kevin Engel teaches JobSafe skills to students at St. Joseph High School, Edmonton

Safety before that first job

The Job Safety Skills Society and WCB–Alberta equip Alberta's young workers with proper safety knowledge *before* they enter the workforce.

"Through JobSafe, Alberta students acquire the knowledge, the skills and the positive attitude they need for the job," says Mary Cameron, President and CEO, WCB-Alberta. "Educating youth about workplace safety is the key to prevention."

Employers can hire young workers who understand and appreciate the importance of workplace safety procedures—and together reduce the number of workplace injuries to Alberta's youth.

JobSafe

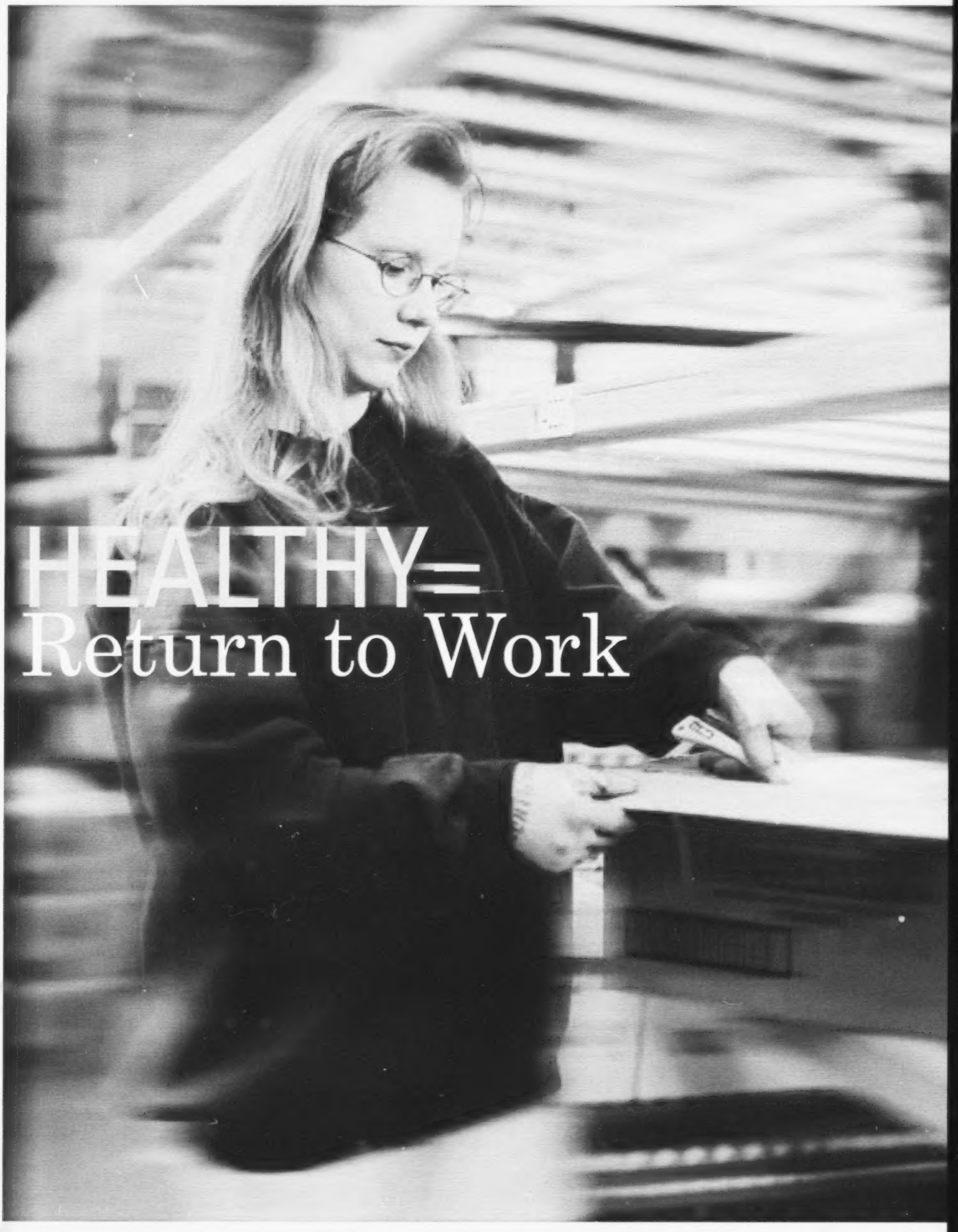
- is a comprehensive, school-based safety education program.
- introduces students to essential health and safety concepts.
- gives students a solid foundation for future workplace training.
- is part of the Career and Technology Studies program.
- includes three 25-hour courses, all approved by Alberta Learning.
- provides materials free of charge to all publicly funded junior and senior high schools in Alberta.
- helps our youth pave the way to a safer, healthier and stronger Alberta.

- *In 2001, nearly 60% of injured workers under the age of 25 were hurt during their first six months on the job. For injured workers over the age of 25, nearly 41% were injured during their first year on the job.*
- *Inexperienced workers were most at risk in the construction, food and trucking industries.*
- *Between 1997 and 2001, more than 662,278 Albertans experienced a work-related injury—the equivalent of the population of Edmonton and Fort Saskatchewan.*
- *During that same five-year period, more than 166,806 workers under the age of 25 experienced a work-related injury. That equates to the populations of Grande Prairie, Lethbridge, Lloydminster and Medicine Hat.*

Do you know Dick?

It's edgy. It's in your face. It's effective. The 2001 *Heads Up. Work Smart. Work Safe.* campaign targeted new and inexperienced workers aged 18-35 and their employers. The $300,000 campaign ran for three months and featured posters and a 30-second television commercial.

The campaign was the result of a three-year partnership with the Alberta Construction Safety Association, Alberta Motor Transport Association, Alberta Hotel Safety Association, Manufacturers' Health & Safety Association, Alberta Human Resources & Employment, and the Workers' Compensation Board-Alberta. WCB contributed 33% of the total funding required for the campaign.


HEALTHY=
Return to Work

We envision a HEALTHY Alberta workforce.

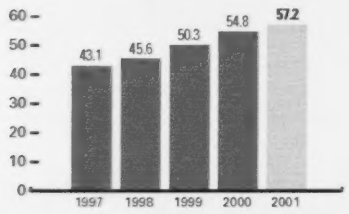
In 2001, approximately 40,000 Albertans were injured seriously enough that they could not return to their job the next day. The average time it took to return to work was 57.2 days. Injuries that result in disability—whether short-term or long-term—have a devastating impact on the injured worker, their family and their employer.

The Workers' Compensation Board-Alberta provides injured workers with fair compensation, and effective rehabilitation and disability management services to help reduce the devastating impact of workplace illness and injury. By helping injured workers and employers develop a plan for a safe, healthy and appropriate return to work, everyone benefits.

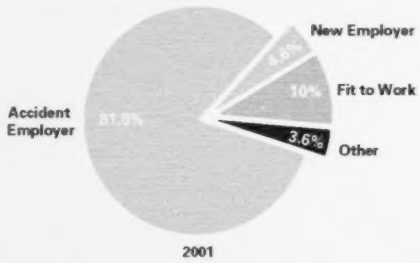
Focus on helping Albertans return to work

In 2001, WCB-Alberta helped almost 82% of injured workers on temporary disability return to work with their pre-accident employer. Another 4.6% of injured workers returned to other employment. In fact, the people we helped return to work last year could fill Edmonton's Skyreach Centre *and* Calgary's Pengrowth Saddledome to near capacity.

Average temporary disability days incurred per lost-time claim



Return to work (Employability at claim closure)



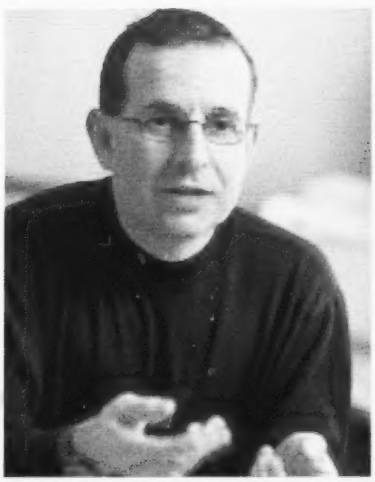
	1997	1998	1999	2000	**2001**
Return to accident employer	81.7%	81.2%	81.5%	82.2%	**81.8%**
Return to other employment	5.2%	4.8%	4.8%	5.0%	**4.6%**
Total return to work	86.9%	86.0%	86.3%	87.2%	**86.4%**

- Employability status of injured workers by percentage at claim closure.
- "Other" category includes workers on permanent temporary disability (PTD), fatalities, and those who retired or otherwise chose not to return to the workforce.

Millard Health—leading an evolution in health care

"Work is the best rehab of all! While the treatment provided to injured workers at clinics and rehab facilities will always be critical, the more we can customize these programs and services to be delivered at the worksite, the better. The importance of staying connected to one's job and employer, both physically and psychologically, cannot be underestimated in facilitating recovery from a workplace injury."

— Dr. Sally Nikolaj, General Manager, Millard Health



"We are implementing these models to provide the right service at the right time, in order to improve an individual's opportunities for recovery and for sustainable return to employment."

—Dr. Jerry Rose, Senior Research and Development Consultant, Millard Health

In May 2001, the Millard Centre changed its name to "Millard Health" to reflect the ongoing evolution of the organization and its business. While Millard Health continues to offer rehabilitation to injured workers, other emerging services include consulting, health-care provider management and research and development.

Millard Health has remained active in the development of evidence-based Continuum of Care Models. "Our goal at Millard Health is to provide services that result in optimal health care and vocational outcomes," says Dr. Jerry Rose, Senior Research and Development Consultant, Millard Health. "We are implementing these models to provide the right service at the right time, in order to improve an individual's opportunities for recovery and for sustainable return to employment."

Millard Health has earned an international reputation for its Soft Tissue Continuum of Care Model, successfully implemented in Alberta and customized for other jurisdictions, such as Quebec and Australia. More recent model development has focused on Cumulative Activity-Related Disorders. CARDs, which were historically referred to as "progressive injuries," include conditions such as bursitis, tendonitis, and peripheral nerve entrapment.

The CARD Continuum of Care Model will be implemented in the spring of 2002.

Millard Health has also evolved to increase its focus on the workplace. In partnership with employers, Millard Health offers worksite-based prevention and treatment services, and disability management advice. This approach not only keeps individuals connected to their employer and co-workers, but also helps to create risk-free work environments and enables cost-effective treatment.

The new state-of-the-art Millard Health Centre, scheduled to open in April 2002, will continue to offer rehabilitation to those workers who require clinic-based care, and will serve as home base for Millard's other services.

"The Continuum of Care Models that Millard Health is developing are state of the art, and something that the rest of the world will be looking at in terms of models of care."

—Dr. James Malec, world-renowned brain injury specialist and author on brain injury rehabilitation and neuropsychology, Mayo Clinic, Rochester, Minnesota

Construction workers at the new Millard Health Centre

New facility... coming soon

Workers who need be treated by Millard Health will be welcomed to a new, state-of-the-art facility in April 2002. This new facility will better meet the needs of Millard customers with its more central location, efficient design and improved access.

The right kind of care—at just the right time

By using "Continuum of Care Models"—disability management "road maps" based on typical recovery patterns and "best practices" in health care—Millard Health practitioners can identify the best times for appropriate treatments and encourage optimum recovery for injured workers.

"Improving both the timeliness and range of services for individuals with specific types of injuries also improves outcomes," says Dr. Jerry Rose, Senior Research and Development Consultant, Millard Health.

Continuum of Care Models (CCMs):

- clarify assessment and treatment expectations.
- supplement clinical guidelines.
- improve timeliness and consistency of medical services.
- provide claims officers, case managers and adjudicators with tools for care planning and disability management.
- provide a framework to evaluate the quality and use of services.
- provide prompts to facilitate rehabilitation planning.

Caring for sprains and strains

Millard Health's Continuum of Care Model works well for soft-tissue injuries.

Soft-tissue injuries are strains and sprains to muscles rather than to ligaments and bones. Strains usually occur when parts of the body become overstretched, rather than from a specific traumatic event. One of the most common strains seen at Millard Health is a low-back strain.

Most people with soft-tissue injuries return to work within a few days but some require up to four weeks to recover. Anything beyond four weeks is uncommon, although it does happen in 20% of Millard Health's low-back strain cases.

Using medical evidence from similar soft-tissue injury cases, medical providers make sure the care and treatment given matches the intervention needed at the appropriate time, which helps the person return to work as soon as they are healthy and able.

During 2001, Millard Health assessed 5,716 clients, which represents a 12% increase over 2000. In addition, 4,033 clients completed interdisciplinary treatment programs at the Millard Health Centre.

Mild Traumatic Brain Injuries—more than just a bump on the head

The Continuum of Care Model is well suited to Mild Traumatic Brain Injuries (MTBIs).

An MTBI—or "concussion"—is a non-structural injury to the brain that usually causes temporary symptoms. MTBIs are most commonly caused by falls, being struck by or against an object, or by highway accidents. In 2001, WCB-Alberta saw nearly 900 of such work-related injuries.

Many people who experience an MTBI return to work very quickly. However, some encounter problems that result in longer absences from work, because some MTBIs are more complicated than first thought. For this reason, WCB-Alberta, in consultation with international experts in brain injury, developed its MTBI Continuum of Care Model.

Research shows that without intervention less than 40% of individuals with traumatic brain injury (TBI) ever go back to work, says Dr. Jerry Rose, Senior Research and Development Consultant and MTBI program leader. With appropriate treatment, one study estimates that 80% of individuals returned to community-based work.*

Millard Health's CCM integrates vocational goals with rehabilitation therapy goals, and provides patients a chance to find a vocation that fits well with their skill set and level of injury. Gradual or modified return to work is often ideal for these clients.

*Malec, Buffington & Degiorgio, 2000

Want to get back to work? Tell someone who cares

Gina is happy to be back on the job.

The only difference between this day on the job and any other was that Gina was in a hurry. "I was trying to rush, we were so busy and everyone was tired."

Gina, 26, was whipping around the warehouse filling orders, when she flew around a corner and smacked her head on the corner of a plastic tote box. A few seconds later, she felt dizzy but continued working. Five minutes later, she knew something was seriously wrong. "The whole side of my face went numb and I couldn't breathe," she recalls. "I started panicking and gulping for air."

The weeks and months since that day in September 2001 have been filled with severe headaches, dizziness, exhaustion and mood swings. Gina had a mild concussion, but there was nothing "mild" about what she was going through.

Through sheer determination and help from her WCB case manager, Gina got good care immediately. She underwent an intense treatment program that consisted of an appointment with a neurologist, counselling sessions, and a visit to a clinic that specializes in treating dizziness and balance problems.

Six weeks later, Gina was back on the job doing light duties. "I couldn't wait to get back," she says. "The first two weeks off work were OK, but after that I started climbing the walls!"

Gina's advice to anyone who suffers an injury on the job? "Ask lots of questions and make it very clear that you want to go back to work. If you're not clear about what's happening to you, you won't get the help you need."

The MTBI Continuum of Care Model has also helped people with more severe brain injuries.

What you don't know could hurt you

Bill and Vicki are thankful for the MTBI pilot program—it helped diagnose Bill's severe brain injury and speed his recovery.

There were no outward signs that anything was wrong. No bruises, no broken limbs—only a small scar on his left temple.

Bill Penrod, 47, suspects that must be where the 4 1/2-inch pipe hit him on October 11, 2001. However, it's hard to say how it happened, since Bill has no memory of the accident.

He remembered one thing when he awoke a week later: One minute the journeyman was drilling a water well on a job site; the next he was being airlifted to the Foothills Hospital. Staff at the hospital suspected Bill may have suffered a minor brain injury, so they handed his wife, Vicki, a brochure and sent them home. "Understandably, the staff in ICU were more concerned with whether Bill had a broken spine or neck," says Vicki, who soon learned there was more to her husband's injury than first appeared.

"It was like having a newborn baby again," Vicki recalls. Her husband's behaviour was erratic and unpredictable. One moment he would insist on cleaning out the shed, the next he would be in the shower for two hours. He would wake up from a nap and have no recollection of what had happened before he went to sleep. Bill's wife was scared.

"I had no idea what I should expect... what was normal," she says.

Fortunately for Bill and Vicki, the WCB's Calgary-based Brain Injury team suspected Bill needed help. They sent him to a neuropsychologist at Calgary's Columbia Rehabilitation Centre shortly after he came home from the hospital.

"After the neuropsychologist explained more, I felt better," says Bill. "He gave a starting point. He helped bring my injury into perspective. Now I'm a lot more sure what's going to happen next."

The couple can't say enough about how important early intervention is. Their experience has taught them that knowing what's wrong and what steps you can take to speed up recovery is half the battle.

Bill now has a whole team of WCB specialists looking after him and, because he was diagnosed and started treatment so early, the father of three anticipates he will soon be back on the job.

Occupational therapist Marty Haekel and Paul Boudreau, plant supervisor at Moloney Electric, helped Susan return to modified work.

If your world no longer works for you, we'll help you change it

Susan Kohinski had been doing her job for years, winding high-voltage coils used to make transformers. Then one day, by helping a co-worker move a heavy cable, she worsened a pre-existing back injury.

After she got the medical help she needed and was ready to return to work, her WCB care team did even more. Occupational therapist Marty Haekel and case manager Wendy Blum both visited Susan's worksite, Moloney Electric in Spruce Grove. Susan, together with boss Paul, Wendy and Marty, decided on lighter duties that would prevent the injury from recurring.

And they didn't stop there. Wendy and Marty helped Susan modify things at home. WCB paid for a mulcher blade on her lawnmower and a ramp so she wouldn't have to hire someone to do her yard work. It was all part of the goal to help her return to safe and productive work.

Susan is back on the job and has had no trouble with her back since—at work *or* at home.

What can employers do to help their injured workers?

As in Susan's case, a workplace injury doesn't always mean long-term absence from work. If an injured worker is unable to return to work, WCB-Alberta will conduct an assessment. Employers can help by providing gradual or "modified" return to work. This might mean working fewer hours, performing fewer tasks or doing entirely different tasks.

WCB-Alberta works directly with employers and injured workers to modify job descriptions and duties—to prevent the injury from worsening or recurring.

Next Generation Claims—helping injured workers back to work, case by case

Each WCB claim is unique. We intend to treat them that way.

WCB-Alberta's Next Generation Claims initiative was developed and carefully refined throughout 2001 to engage stakeholders in case planning and to make the best possible return-to-work decisions for each and every injured worker.

Using a project management approach, which emphasizes setting clear, measurable and realistic goals and consulting with all interested parties every step of the way, the case manager, claimant and employer together decide on a reasonable outcome for the injured worker. This collaboration creates a 100% customized return-to-work plan that considers the individual, the injury and their return-to-work options.

"WCB-Alberta is improving our processes to become more proactive and outcome-focused," says Marcela Matthew, Manager, Customer Contact Centre. "In 2002, we look forward to implementing more customized return-to-work plans for our injured workers."

The Fractures Project: a return-to-work plan that's tailor-made

Every case is unique, so every return-to-work plan should be too.

Tailor-fitting return-to-work plans to specific injuries inspired a cutting-edge strategy at WCB-Alberta to help claimants with fractures return to work safely and quickly.

The project started by collecting published work-return

Early intervention often means less intervention

Weyerhaeuser Canada's "Work Well" initiative is an excellent example of partnerships WCB-Alberta wants to build with the employers we insure.

At their Grande Prairie pulp and sawmill operation, Weyerhaeuser has implemented the Integrated Rehabilitation Program (IRP), which provides workers with early intervention before a disabling condition develops.

Team leaders work with occupational health nurses and employees to identify workers with musculo-skeletal symptoms or disorders. Using a diagram of the human body, or "ergo person," workers show where they feel pain or discomfort.

Weyerhaeuser's on-site physiotherapists observe employees at work to understand how conditions develop from performing certain tasks. The physiotherapist can then recommend appropriate interventions.

Their other early intervention strategies include massage therapy, modified work, prevention education, and referrals to physicians.

By bridging prevention and disability management, the IRP initiative has resulted in a win for all employees at the mill, for Weyerhaeuser, and for WCB-Alberta.

Building on the success of Weyerhaeuser's initiative, in 2001 WCB-Alberta formed a partnership with the Alberta Forest Products Association and Millard Health to develop the Early Intervention Process for other employers. This partnership's three main goals include:

- building the capacity to manage the effects of progressive injuries,
- eliminating or reducing pain, and
- helping employees regain their ability to effectively function and contribute at work.

More significant achievements are expected as we refine the program and develop efficiencies for its delivery to other companies.

information for different types of fractures. "This data gives us a starting point for return-to-work plans for fracture claimants, which we customize using our knowledge of each individual's situation," explains Dr. Vernon Lappi, Director of Medical Services, WCB-Alberta.

Medical consultants are involved early in the process and consider many factors in each case—age, type and severity of fracture, job demands, and other medical conditions—to support return-to-work planning with the claimant.

"The strategy requires a close working relationship among all parties—injured worker, medical consultant, case manager, treating physician and employer," says Dr. Lappi. "This way we take a more active role in encouraging a safe, healthy and appropriate return to work."

The Fractures Project also reduces claims costs. In 2001, claims costs associated with fractures were reduced by almost $3.5 million.

The next phase of the project will be rolled out in 2002 "to identify cases exceeding the expected duration and to concentrate medical and case management expertise on those cases," says Dr. David Linklater, Senior Medical Advisor, WCB-Alberta.

The Fractures Project is a great example of the innovative approaches we are taking to help injured workers return to work safely. Focusing on early intervention to achieve better and safer return-to-work outcomes is the key."

—Guy Kerr, Vice President, Customer Service and Disability Management

The process used in the Fractures Project may also apply to other types of injuries, so in the future more injured workers and their employers can benefit from customized, effective disability management.

Improving communication with treating physicians

In 2001, WCB-Alberta medical consultants increased their contact with treating physicians by 55%, initiating 2,775 calls to clarify medical information on specific claims and to help ensure fair decisions. Department staff also completed 29,152 requests for written opinions on claims.

"WCB-Alberta recognizes that improved communication between medical consultants, treating physicians and claimants results in better health care for the injured worker," says Dr. Lappi.

STRONG=
Customer Service

We envision a STRONG Alberta.

The Workers' Compensation Board–Alberta strengthens Alberta's economy through a compensation system that works, and through sound management of WCB assets. Our stakeholders entrust us to provide for security of benefits to injured workers and good value in the premiums charged to employers. The cornerstone for meeting these needs today—and tomorrow—is to be financially stable.

To achieve financial stability in 2001, we set our sights on good customer service, efficient business processes with measurable outcomes, clear and effective legislation, open and transparent communication, and accountability.

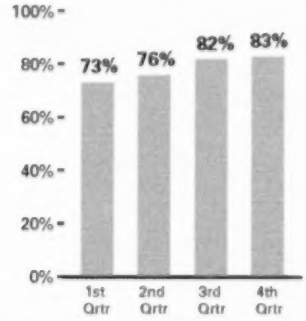
Focus on stronger relationships, good customer service and accountability

Like any business, WCB-Alberta must respond to its changing environment. In 2001, WCB-Alberta took action to address increasing pressures on the workers' compensation system—rising claims costs, spiralling medical costs, and declining investment revenue.

Worker and employer satisfaction

Evaluations of decisions letters*

2001



* To communicate clearly and meaningfully with stakeholders, WCB-Alberta claims decision makers are required to go through intensive external training in writing. They are required to meet high third party standards based on measurable criteria, and are evaluated accordingly.

Measurable targets improve performance

The corporate scorecard gives each department, team and individual a framework to develop customized goals that support achieving the overall corporate goals."
—Jim Wheadon, Vice-President, Business Development and Information Management, WCB-Alberta

At WCB-Alberta, we set corporate success measures to evaluate the quality and efficiency of our service at all levels, from the frontline employee to the corporate office.

Our corporate scorecard was designed so that each staff member can focus on the most important aspects of the operation and see at a glance how their individual tasks fit into the whole process.

"Unlike conventional organizational flowcharts, the corporate scorecard gives each department, team and individual a framework to develop customized goals that support achieving the overall corporate goals," says Jim Wheadon, Vice-President, Business Development and Information Management, WCB-Alberta.

Predetermined corporate targets are adjusted annually to reflect changing business priorities and are rolled out to all business units. The corporate scorecard is updated each quarter, to accurately and objectively measure our performance.

Top marks for innovation

WCB-Alberta has become an "employer of choice" in both the provincial and national marketplace, says Roxy Shulha-McKay, Vice President, Employee and Corporate Services, WCB-Alberta.

Alberta's WCB won the 2001 Eagle Award for H.R. innovation, presented by the Human Resources Management Association of Edmonton. The award recognized our creation and implementation of a corporate scorecard, our leadership development and our corporate wellness programs.

We also received Edmonton's "Smart City Award" for our commitment to employee development through education.

Finally, we recently placed within the Top 100 "Best Companies" to work for in Canada, according to Hewitt Associates and the Globe & Mail's *Report on Business* magazine.

Shulha-McKay says she gets frequent calls from people wanting to use our corporate strategies as benchmarks for their own organizations. She has received specific requests for information about our "leadership development and coaching programs; corporate scorecard and performance measurement; employee satisfaction surveys; and corporate learning and wellness programs."

Corporate learning at WCB-Alberta

"If there's something else that WCB could've done for me, I don't know what it is."
—Lisa Davies, injured worker

Focused on customer care

While Lisa (left) recovers from her workplace injury, WCB assists with day-to-day needs, like paying for a helper to carry groceries.

Lisa Davies' right foot was nearly wrenched off when she broke the fall of a 900-pound tank of explosive gas. The single mother of three instantly knew this injury was bad enough to end her career as a truck driver.

"Now I'm going to be on WCB," she thought, as paramedics arrived and started cutting off her jeans. "I figured it was the end of the world, I'd heard so many horror stories."

Lisa, 34, was not able to return to her job. A year after the accident, Lisa is more than 30 pounds lighter and is fighting to get back to work—but she's not alone. Her case manager, Michelle Semotiuk, has been by her side every step of the way.

"Michelle has not just taken care of my physical needs. She's taken care of my emotional needs," says Lisa. When an allergic reaction resulted in Lisa losing much of her hair, Michelle paid for a special shampoo. She asked Lisa if she needed counselling, and even helped get her 13-year-old son to his basketball games.

"This whole recovery period can be very dehumanizing," Lisa says. "Michelle has never lost that ability to look at me like a person. I'm so grateful to her for that."

The admiration goes both ways. "I really appreciate Lisa being so positive," Michelle says. "She focuses on her future, so it's easy for me to focus on what can be done to get her where she's going."

To do the best she can for her customers, Michelle tries to imagine herself in their shoes. Then, she says, she must be compassionate to people who are injured. She says her fellow case managers view their injured workers with the same compassion.

"All we do from the time we get in to the time we leave is think about our workers and ways we can help them," she says.

Michelle's approach is working, says Lisa. "If there's something else that WCB could've done for me, I don't know what it is."

"It's easy to be compassionate to people who are injured. You can't help but think what it would be like to be in their shoes."
—Case manager Michelle Semotiuk talks about the challenges and satisfaction she derives from the job.

Committed to fairness— helping workers and employers

"Our case managers and adjudicators are taught to approach each case on an individual basis and to view every claimant as a person with unique needs and circumstances, requiring professional and courteous service."

–Guy Kerr, Vice-President, Customer Service and Disability Management, WCB-Alberta

In 2001, the WCB-Alberta insured 101,031 employers and 1.3 million workers, and administered a total of 204,971 claims. In fact, less than 1% of lost-time claims were denied in 2001, down from 2% the previous year.

Every day, we are required to make difficult decisions that impact our stakeholders. Our stakeholders count on our commitment to fairness, and expect clear decisions, consistent interpretation of policy and good customer service.

Every quarter, WCB collects feedback on our service and compensation policy through independent surveys of injured workers and employers. In 2001, we surveyed more than 3,200 customers, with employers rating their overall satisfaction at 84% and 77% of workers reporting they were satisfied or very satisfied with the WCB.

In 2001, the WCB-Alberta insured **101,031** employers and **1.3 million** workers, and administered a total of **204,971** claims. In fact, less than 1% of lost-time claims were denied in 2001, down from 2% the previous year.

Summary of Claims Administered 2000-2001

		2001		2000
Active claims as of January 1		39,192		30,735
New lost-time claims	40,200[1]		40,457	
New medical aid only claims	106,777		105,904	
Total new claims reported	145,916		146,361	
Recurrent claims[2]	19,863		23,511	
	165,779	165,779	169,872	169,872
Total claims administered		204,971		200,607

Non-eligible Claims

	2001	2000
Lost time claims		
Insufficient information available to process claim	51	108
Not covered under *Workers' Compensation Act*	38	100
Injury or illness not arising out of/in course of employment	248	757
Medical aid only claims		
Insufficient information available to process claim	1,057	3,714
Not covered under *Workers' Compensation Act*	367	955
Injury or illness not arising out of/in course of employment	602	1,707

[1] Lost-time claims are projected. This approach is taken to ensure claims for accidents occurring in 2001, but not reported by year end, are considered.

[2] Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons such as payments for medical aid or requests for further compensation benefits.

"How have I been treated by the WCB? Fantastic."
—Lucien Bleau, injured worker

The day his life changed forever

Lucien is pleased with the care of his WCB case manager.

Lucien Bleau had been driving trucks in the oil field since he was 16.

One day, over four decades later, he was up on the trailer, standing on top of six tiers of drill pipe. Two pipe racks and a flare line were higher still. He was reaching for a steel cable when he heard someone yell his name. "I could see the flare line rolling towards me," he says.

Lucien jumped far enough to avoid being crushed by the rolling pipe, but he landed on the frozen ground, hit his head and smashed his spine. Hours later, at the University of Alberta Hospital, Lucien learned that his brain was bleeding in three places; one vertebra had been crushed, another was bruised; and his left shoulder was badly battered and swollen.

The doctors said Lucien would never drive a rig again.

"I went through a depression. I wondered why it happened to me."

But Lucien focused on the good. As a self-employed trucker, he had been paying insurance premiums to the Workers' Compensation Board for years. Because of that, the WCB now covers all his medical treatments. And, he says, his case manager Deb Atherton "is a very compassionate, caring person. There are no shortcuts for her."

Lynda Bleau agrees. "Our life was in a shambles. My husband was in agony; he couldn't hear or remember anything. Deb was just so good to us. One day I called her to thank her for all her help and she said something I will never forget. 'It is my job, but it's your life.' If I had had to fight for things on top of everything that was going on, it would have been horrible."

Lucien compares the WCB to "any large company—there's good and there's bad. My belief is that there's more good than bad."

It's been nearly a year since Lucien's life changed forever. He suffers from short-term memory loss and he can't walk or sit for long periods of time. Even so, Lucien has a positive outlook.

"I actually feel very fortunate," he beams. "It's that old saying that you've got to have something happen to realize how lucky you are."

Lucien believes he was lucky to have Deb as his case manager.

"How have I been treated by the WCB? Fantastic."

Simplifying service

In an ongoing effort to streamline service to customers, WCB's Customer Contact Centre made some dynamic improvements to their processes and systems in 2001.

WCB-Alberta's Customer Contact Centre received 845,000 calls in 2001.

Integration of our two separate call centres

First, representatives were cross-trained to respond to both employer-account and claimant-related inquiries. "The goal was to create a large pool of cross-functional staff knowledgeable about the entire spectrum of WCB business," says Guy Kerr, Vice President, Customer Service and Disability Management, WCB-Alberta.

More service options

Next, service improvements were made in the Customer Contact Centre:

- A new Integrated Voice Response (IVR) system with a shorter, clearer menu. The IVR was designed to route calls to an agent best equipped to handle a caller's specific request. In 2001, the annual call volume was about 845,000 calls, an average of 70,000 per month.
- The ability to obtain Clearance Certificates online through a new software application called DECC (Direct Employer Clearances and Certificates). This self-service feature allows employers to electronically request and receive clearance certificates on contractors and subcontractors. In 2001, 141,672 clearance decisions were made via the Internet.

Changes in the Customer Contact Centre in 2001 were geared to improve service. But, as with all new processes, we experienced some unanticipated outcomes such as delayed service during system implementation. The good news is that we've collected input from our stakeholders and staff and are making additional changes to improve our systems and service.

Enhancements to come in 2002 include:

- A self-service payment option via telephone (employer or worker enters their account or claim number while on hold; as call is answered, account information appears on agent's screen).
- Employer clearances via the telephone system.

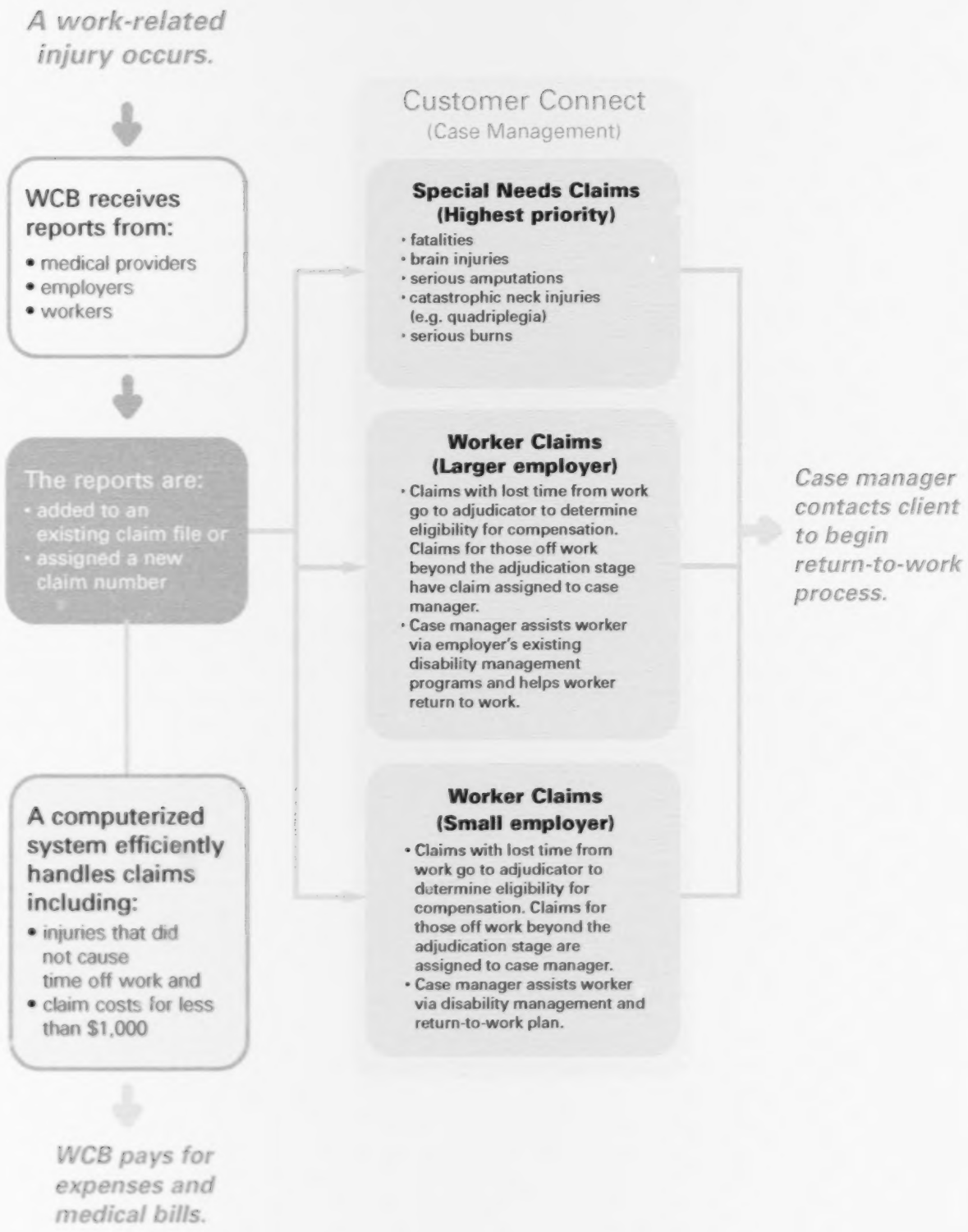
eCO System... better claims handling

In late 2001, WCB-Alberta converted to a brand new HTML-based computer system that will help us better serve our clients. eCO System (or "electronic Claims Organization System") moves beyond being just another data entry system—it provides interactive data collection and use, which facilitates good, consistent disability management.

eCO's flexibility sets the stage for more complete claim information tracking and use. The system reuses data to record and trigger key claim events and interactions; its "best practices" features help disability managers remain consistent and informed.

The implementation of eCO made WCB Alberta a finalist in the 2001 Alberta E-Business Leadership Awards.

What happens when a claim is filed?


A work-related injury occurs.
WCB receives reports from:
• medical providers
• employers
• workers
The reports are:
• added to an existing claim file or
• assigned a new claim number
A computerized system efficiently handles claims including:
• injuries that did not cause time off work and
• claim costs for less than $1,000
WCB pays for expenses and medical bills.
Customer Connect
(Case Management)
Special Needs Claims
(Highest priority)
• fatalities
• brain injuries
• serious amputations
• catastrophic neck injuries (e.g. quadriplegia)
• serious burns
Worker Claims
(Larger employer)
• Claims with lost time from work go to adjudicator to determine eligibility for compensation. Claims for those off work beyond the adjudication stage have claim assigned to case manager.
• Case manager assists worker via employer's existing disability management programs and helps worker return to work.
Worker Claims
(Small employer)
• Claims with lost time from work go to adjudicator to determine eligibility for compensation. Claims for those off work beyond the adjudication stage are assigned to case manager.
• Case manager assists worker via disability management and return-to-work plan.
Case manager contacts client to begin return-to-work process.

Strengthening relationships with stakeholders

In July 2001, the Honourable Clint Dunford, Minister of Alberta Human Resources and Employment, released the MLA Services Review Report and the Appeals Process Review Report, which made 59 recommendations for improvements to the workers' compensation system, 49 of which were accepted by government.

After the release of the reports, WCB-Alberta met regularly with stakeholders from labour, employers and safety associations to discuss opportunities to support key recommendations. As a result:

- WCB developed a new medical dispute process in partnership with the College of Physicians and Surgeons and Alberta Medical Association, which has been approved by the Minister and scheduled for implementation as a pilot in 2002.
- WCB undertook a pilot to change its appeal process to an internal review process that is more timely and less formal—to create more participatory opportunity for workers and employers to resolve issues on WCB decisions.
- WCB asked the Auditor General to expand their current audit to include key performance indicators to enhance public trust of the system.

The WCB also introduced several initiatives to increase elected officials' understanding of the workers' compensation system and enhance communication between government and our other stakeholders.

These initiatives included:

- "Life of a Claim" tours and WCB reference binders for government MLAs.
- MLA and stakeholder reception to discuss WCB-related issues.

The WCB continues to work with government, labour, workers, employers, safety associations, health care providers and other key stakeholders in developing and implementing improvements to the system that make sense and have stakeholder support.

New Medical Panel Process for Dispute Resolution

Medical panels are used to resolve medical issues in claims where there is a difference of medical opinion. Each panel is made up of three physicians with specialized knowledge of the medical area in dispute.

In 2001, WCB-Alberta proposed a new and improved panel process to resolve medical disputes. Dr. Larry Ohlhauser, former registrar of the College of Physicians and Surgeons of Alberta (CPSA), will implement and administer the new process as Medical Panel Commissioner for WCB-Alberta.

As registrar of the College, Dr. Ohlhauser played a major role in developing the new model. Dr. Vernon Lappi, Director of Medical Services, WCB-Alberta, says the new Commissioner is the ideal candidate to lead this change. "Dr. Ohlhauser is a highly respected member of the medical community who will ensure the quality and integrity of the medical panel process."

Highlights of the new medical panel process:

- **Greater access for claimants and their treating physicians to a medical panel.**

  A claimant's treating physician can prompt a medical panel if they provide the WCB with a written statement concerning a claim. If the statement meets certain criteria, the WCB must either accept the statement or agree that there is a difference of medical opinion, which then leads to a medical panel.
- **More transparent, arm's-length medical panel selection and process.**

  The CPSA will provide the medical panel office with general lists of physicians who have specialist qualifications and self-declared interests (e.g. orthopedic qualifications and a specialty in shoulder injuries). The new Medical Panel Commissioner will prepare the individual case eligibility list, starting from the CPSA general lists. In addition to the claimant choosing a panel member, the employer can now also choose a panel member from the case eligibility list. The medical panel members will choose the Chair from among themselves.

Financially accountable

"A key role of the Workers' Compensation Board from a financial standpoint, and one to which the WCB is fully accountable, is to provide cost-effective risk financing from an employer's perspective and to ensure the appropriate level of benefits to the injured worker in the long term." *—Ron Grainger, Chief Financial Officer, WCB-Alberta*

Through sound management of the investment portfolio—to provide the best return with the least risk—we safeguard this important asset and yield reasonable returns on the investment. While market value of the portfolio and the associated investment revenue fell in 2001 due to the major market correction in 2000/2001 and the tragedy of September 11, 2001, WCB-Alberta's market returns still exceeded the benchmarks.

Employers to pay higher premiums in 2002

On October 31, 2001, our first Premium Rate Briefing was held in Calgary for stakeholders, to explain the three factors driving the 27.3% increase in the average premium rate for 2002 to $1.68 per $100 of insurable earnings.

To help employers adjust to this move, the WCB will still use financial gains to subsidize 2002 premium rates by 13 cents per $100 of insurable earnings. The rates would have increased by 37% without the subsidy. The majority of Alberta employers will experience a 10-50% increase in their industry base rate in 2002. Even with these increases, Alberta's rates will remain the fourth-lowest in Canada.

The three factors driving the rate increase were:

1. Rising Claims Costs

- Claims costs have risen by 94.5% to $916 million between 1997 and 2001. (Chart #1)
- This sharp increase is largely due to medical costs, which rose 105% since 1997.

2. Declining Investment Revenue

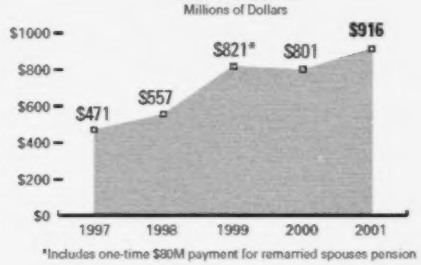
- Employer premium rates did not keep pace with rising claims costs. Instead, WCB financial gains were used to subsidize rates by up to 36%. (Chart #2)
- However, the sharp decline in the equities market resulted in a 23% ($98.4M) decrease in WCB investment revenues this year. (Chart #3)
- Even with reduced revenue from investments, the WCB investment portfolio performed better than the market benchmark, and is valued at close to $4 billion. The WCB remains fully able to cover ongoing commitments to injured workers.

3. Move to Required Rate

- Starting in 2002, employer premium rates will more accurately reflect the full cost of workplace injuries.
- In future, the WCB will work with stakeholders to develop new strategies for dealing with financial gains.

Claims costs

Millions of Dollars



*Includes one-time $80M payment for remarried spouses pension

Average premium rate

Investment revenue

Millions of Dollars

WCB-Alberta

2001 Financial Statements

Management commentary on the financial statements for 2001

Results of Operations

The overall result is an operating deficit of $149.8 million[1] brought about primarily by claim experience and decreased investment revenue.

The Occupational Disease Reserve was increased by $5.0 million consistent with the revised Funding Policy. The Fund Balance at December 31, 2001, is $221.9 million.

The average actual premium rate collected was considerably below the average premium rate required to meet the cost of current year injuries[2] primarily as a result of the investment gains.

Investment Activities

Investments held to meet future benefit obligations for past injuries decreased to $3,918.5 million, a reduction of 4.8%. The capital market in 2001 was quite weak resulting in a market return of 0.0% for 2001 compared to 5.0% for the previous year.

Claim Benefit Liabilities

Estimated claim benefit liabilities of the corporation increased to $3,492.7 million, an increase of 8.2%. Note 9 to the financial statements provides a reconciliation of the changes to the claim benefit liabilities. There were no material changes in 2001 to the actuarial assumptions or methodology other than as identified in the Actuarial Certificate and Note 9.

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[1] The operating deficit of $149.8 million can be attributed to the following:

Net investment revenue gain over liability requirements and investment revenue on the fund balance and reserves	$ 119.5 million
Shortfall in premium revenue as a result of actual premium rate ($1.31) being lower than the required premium rate ($1.75) on $38.1 billion in insurable earnings	(165.9 million)
Actuarial adjustments	(105.8 million)
Other items	2.4 million
Total	$ (149.8 million)

[2] Average Actual Compared to Average Required Premium Rates

Per $100 Insurable Earnings

Year	Average Actual Rate	Average Rate Required for Full Funding	Difference
2001	**1.31**	**1.75**	**(0.44)**
2000	1.11	1.74	(0.63)
1999	1.06	1.64	(0.58)
1998	1.35	1.47	(0.12)
1997	1.50	1.50	(0.00)
Average	1.27	1.62	(0.35)

Responsibility for financial reporting

The financial statements of the Workers' Compensation Board were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The WCB's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB.

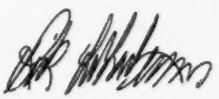
The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the Annual Report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements; and meets periodically with management, external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

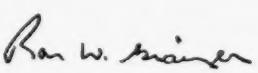
Watson Wyatt has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with generally accepted actuarial principles.

KPMG, the independent auditor of the WCB, has performed an audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Don Ritz
Vice-Chair,
Board of Directors



Rick LeLacheur
Interim President and
Chief Executive Officer



Ron W. Grainger
Chief Financial Officer

Actuary's report to the Board of Directors of the Workers' Compensation Board-Alberta

We have made an independent review of the actuarial valuation of the liabilities for future benefits payable under the Workers' Compensation Act-Alberta as at December 31, 2001 in respect of accidents which have occurred up to that date.

The actuarial valuation has been performed by the Board's actuarial staff and a comprehensive actuarial report has been prepared and provided to the Board. A summary of the net discount rates used in the actuarial valuation is referred to in the notes to the financial statements.

The Board's auditors have made an independent review of the financial data used in the actuarial valuation. We have reviewed the data used for the valuation and have made tests of reasonableness and of consistency with the data used in prior years. In our opinion the data is sufficient and reliable for the purposes of this valuation.

The actuarial valuation of these liabilities in the amount of $3,492,700,000 represents the actuarial present value at December 31, 2001 of all future short term disability benefits, long term disability benefits, survivor benefits, health care payments and rehabilitation payments and expenses of administration which are expected to be made in future years and which relate to claims occurring on or before December 31, 2001. The actuarial valuation does not include benefits or payments that are on a self-insured basis.

The valuation was based on the *Workers' Compensation Act* in effect as of December 31, 2001 as administered by the Board, and on the current practices and administration procedures of the Workers' Compensation Board and historical claims experience. In respect to disability benefits of accidents in 1995 and subsequent years, the actuarial liabilities are now based on actual experience whereas in previous valuations the experience of post-1994 accidents was assumed to be the same as pre-1995 accidents. This change did not result in a material change in the actuarial liabilities, and is described in the valuation report.

There are no other material changes in actuarial methods and assumptions since the prior valuation.

The actuarial assumptions and methods used are based on the Board's best estimates and take into account current benefits, expenditures and practices, and assume that the Board is a continuing entity underwriting all occupational injuries and diseases in the covered workforce in Alberta. No allowance has been made for possible liabilities arising from the recommendations made in 2000/2001 by the two Review Committees initiated by the Minister, Alberta Human Resources and Employment, which are referred to in the financial statements.

In our opinion, for the purpose of the valuation, the actuarial assumptions are appropriate and the methods employed are consistent with sound actuarial principles. The valuation report has been prepared, and our opinions have been given in accordance with accepted actuarial practice.

WATSON WYATT & COMPANY

L N. Taylor

Leslie N. Taylor, F.I.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries

Nancy A. Yake

Nancy A. Yake, F.S.A., F.C.I.A.
Fellow, Canadian Institute of Actuaries

Auditors' report to the Board of Directors of the Workers' Compensation Board-Alberta and to the Auditor General of the Province of Alberta

We have audited the balance sheet of the Workers' Compensation Board-Alberta ("the Board") as at December 31, 2001 and the statement of operations, statement of reserves and fund balance and statement of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Edmonton, Canada
March 22, 2002

The Workers' Compensation Board-Alberta
Balance sheet
as at December 31, 2001
(thousands of dollars)

	2001	2000
ASSETS		
Cash	**$ 191,210**	$ 80,423
Receivables (Note 3)	**49,488**	44,096
Investments (Note 4)	**3,918,459**	4,116,677
Capital assets (Note 6)	**63,993**	47,676
	$ 4,223,150	$ 4,288,872
LIABILITIES		
Payables and accruals (Note 7)	**$ 60,072**	$ 47,667
Deferred revenue (Note 8)	**221,951**	416,567
Claim benefit liabilities (Note 9)	**3,492,700**	3,226,400
	3,774,723	3,690,634
RESERVES AND FUND BALANCE		
Occupational disease reserve	**226,500**	221,500
Fund balance	**221,927**	376,738
	$ 4,223,150	$ 4,288,872

Commitments (Note 17)

The accompanying notes and schedules are an integral part of these financial statements.

On behalf of the Board of Directors:

Don Ritz
Vice-Chair,
Board of Directors

Rick LeLacheur
Interim President and
Chief Executive Officer

The Workers' Compensation Board-Alberta
Statement of operations
for the year ended December 31, 2001
(thousands of dollars)

	2001		2000
	Budget	**Actual**	Actual
REVENUE			
Premiums	**$ 476,300**	**$ 508,640**	$ 393,771
Investment (Note 10)	**441,800**	**330,382**	428,808
Other (Note 11)	**6,700**	**2,869**	2,795
	924,800	**841,891**	825,374
EXPENDITURE			
Claim costs (Note 9)	**866,000**	**916,123**	801,294
Administration (Note 13)	**59,500**	**59,815**	61,727
Injury reduction (Note 15)	**10,300**	**10,699**	10,029
Appeals Commission (Note 16)	**6,000**	**5,065**	4,697
	941,800	**991,702**	877,747
OPERATING DEFICIT	**$ (17,000)**	**$ (149,811)**	$ (52,373)

The accompanying notes and schedules are an integral part of these financial statements.

The Workers' Compensation Board-Alberta
Statement of reserve and fund balance
for the year ended December 31, 2001

(thousands of dollars)

	2001	2000
OCCUPATIONAL DISEASE RESERVE		
Balance at beginning of year	**$ 221,500**	$ 135,200
Transfer from Fund Balance	**5,000**	86,300
BALANCE AT END OF YEAR	**$ 226,500**	$ 221,500
FUND BALANCE		
Balance at beginning of year	**$ 376,738**	$ 358,811
Operating Deficit	**(149,811)**	(52,373)
Transfers from (to) reserve, net	**(5,000)**	70,300
BALANCE AT END OF YEAR	**$ 221,927**	$ 376,738

The accompanying notes and schedules are an integral part of these financial statements.

The Workers' Compensation Board-Alberta
Statement of cash flows
for the year ended December 31, 2001
(thousands of dollars)

	2001		2000
	Budget	**Actual**	Actual
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from:			
Employers	**$ 478,200**	**$ 510,590**	$ 389,441
Dividends and interest	**120,000**	**144,662**	162,628
Other income	**9,000**	**4,062**	1,995
	607,200	**659,314**	554,064
Cash paid to:			
Claimants, or third parties on claimants' behalf	**544,300**	**570,839**	494,712
Employees and suppliers, for administrative and other goods and services	**128,800**	**128,433**	141,777
Injury reduction	**10,300**	**10,956**	12,487
	683,400	**710,228**	648,976
Net cash used for operating activities	**(76,200)**	**(50,914)**	(94,912)
CASH FLOW FROM INVESTING ACTIVITIES			
Cash received from:			
Sale and maturity of investments	**500,000**	**645,307**	683,127
Cash paid for:			
Purchase of investments	**395,300**	**455,984**	632,134
Purchase of capital assets, net	**38,500**	**27,622**	22,272
	433,800	**483,606**	654,406
Net cash provided from investing activities	**66,200**	**161,701**	28,721
NET INCREASE (DECREASE) IN CASH	**(10,000)**	**110,787**	(66,191)
Cash at beginning of year	**110,000**	**80,423**	146,614
CASH AT END OF YEAR	**$ 100,000**	**$ 191,210**	$ 80,423

The accompanying notes and schedules are an integral part of these financial statements.

1. GENERAL

Legislative Authority

The Workers' Compensation Board (WCB) operates under the authority of the Workers' Compensation Act, Revised Statutes of Alberta 2000, Chapter W15.

Vision and Mission

The Vision of the WCB is "Albertans working—a safe, healthy and strong Alberta."

The Mission of the WCB is "The WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans."

Funding Policy

Consistent with Section 91 of the *Workers' Compensation Act*, the Board of Directors established a funding policy to ensure for the benefit of its stakeholders the WCB remains financially stable and secure into the future. An Occupational Disease Reserve was created to provide for the costs that may arise from latent occupational diseases where a causal link to the workplace has not yet been established but may be established in the future. The funding policy also stipulates a Fund Balance to recognize the degree of uncertainty in the business of workers' compensation.

Claim Benefit Liabilities

Claim benefit liabilities are independently reviewed by an external actuary as at December 31, 2001, and represent the actuarial present value of all future benefit payments expected to be made for claims which have occurred in respect of current and prior years' injuries.

These benefits are expressed in constant dollars discounted at 4.0% per annum, being the difference between expected investment earnings and expected increases in benefit payments, except for non-wage related temporary disability payments which are discounted at 3.5%, and rehabilitation and claim administration costs which are discounted at 2.5%. Health care costs are ultimately discounted at 0.5% to reflect expected higher increases in health care costs and utilization.

The claim benefit liabilities include provision for all benefits provided by current legislation, policies and administrative practices. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period.

The actuarial liabilities of the WCB are of a long-term nature and therefore the actuarial assumptions and methods used to calculate the reported actuarial liabilities at December 31, 2001, are based on considerations of future expenditures over the long term. It is reasonably possible that changes in future conditions within one year of the financial statement date could require a change in the recognized amounts.

2. SIGNIFICANT ACCOUNTING POLICIES

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Cash

Cash and cash equivalents are funds consisting of cash and money market instruments with maturities up to three months.

Cash and short term investments held in the investment portfolio for trading purposes are excluded from cash and cash equivalents reported on the balance sheet.

Investments

Fixed-term investments are stated at amortized cost. Gains and losses realized on disposal of fixed-term investments are deferred and amortized on the straight-line basis over a period which approximates the average remaining term to maturity of the fixed-term investments sold. Equity and real estate investments are stated at moving average market value. Gains and losses realized on disposal of equity and real estate investments together with unrealized gains and losses occurring during the year are deferred and amortized on the straight-line basis over five years.

Derivative Financial Instruments

Derivative financial instruments are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates or indices. Derivative products include interest rate swaps, equity and bond index swaps, forward foreign exchange contracts, and cross-currency interest rate swaps. These products are traded by the WCB for income enhancement and can be used to hedge interest rate and foreign currency exposures. Interest rate swap and forward foreign exchange contract notional amounts are not recognized in the financial statements. Index swaps are recorded at moving average market value or amortized cost based on the nature of the index used. Cross-currency interest rate swaps are recorded at amortized cost.

Interest rate swaps are transactions in which two parties exchange interest rates on a specified notional amount for a predetermined period. Interest income is recognized in the year.

Equity and bond index swaps are agreements to exchange cash flows based on the return of a specified equity or bond index. Income is recognized in the year.

Forward foreign exchange contracts represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract. Foreign exchange gains and losses are recognized in the year as income.

Cross-currency interest rate swaps exchange fixed for floating interest rates, or one fixed-currency for another fixed-currency interest rate, and exchange the foreign currency for Canadian currency. Interest income is recognized in the year.

Fair Value

The carrying value of cash, receivables and payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices. The market value of privately held debt, equity and real estate investments is based on discounted future cash flows or independent appraisals. The market or replacement value of swaps and options is determined by the net unrealized gains or losses, accrued interest receivable or payable and premiums paid or received. The market value of cross-currency interest rate swaps includes both the market value of the underlying bond, and the market value of the swap.

Foreign Currency Translation

Assets and liabilities, with the exception of investments, denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for investments are recorded in the same manner as other investment gains and losses.

Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the WCB's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods presented. Actual results could differ from the estimates made by management. Claim benefit liabilities, reserve for occupational disease and accrued premiums are the most significant items which reflect estimates in these financial statements.

Capital Assets

Capital assets are reported at cost and are amortized over their estimated useful lives. Amortization is provided using the following methods and annual rates:

Buildings	2 1/2% straight-line
Equipment - computer	35% diminishing balance
- furniture and other	15% diminishing balance
- vehicles	20% straight-line
Computer software	20% straight-line

3. RECEIVABLES (thousands of dollars)

	2001	2000
Premiums	**$ 22,227**	$ 21,578
Accrued Premiums	**23,219**	16,968
Other	**4,042**	5,550
	$ 49,488	$ 44,096

4. INVESTMENTS (thousands of dollars)

	2001		2000	
	Book Value	**Market Value**	Book Value	Market Value
Cash	**$ 18,714**	**$ 18,892**	$ 29,589	$ 30,855
Fixed Term:				
Short Term	**47,420**	**49,236**	70,191	70,109
Long Term	**1,490,481**	**1,543,944**	1,731,203	1,822,027
	1,537,901	**1,593,180**	1,801,394	1,892,136
Real Estate	**124,607**	**129,811**	122,054	128,733
Equities:				
Domestic	**821,640**	**834,289**	787,113	828,923
Foreign	**1,415,597**	**1,372,386**	1,376,527	1,419,431
	2,237,237	**2,206,675**	2,163,640	2,248,354
	$ 3,918,459	**$ 3,948,558**	$ 4,116,677	$ 4,300,078

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES (thousands of dollars)

Derivative Financial Instruments

	2001		2000	
	Notional Principal	**Replacement Value**	Notional Principal	Replacement Value
Interest rate swaps	**$ 57,036**	**$ (2,773)**	$ 73,741	$ (1,632)
Forward foreign exchange contracts	**77,490**	**156**	87,384	1,274
Equity index swaps	**143,426**	**8,340**	175,735	(4,544)
Bond index swaps	**36,947**	**18**	120,713	746
	314,899	**5,741**	457,573	(4,156)
Par value of cross-currency interest rate swaps	**149,498**	**-**	230,046	-
	$ 464,397	**$ 5,741**	$ 687,619	$ (4,156)

As at December 31, 2001, the market value of the cross-currency interest rate swaps and the underlying bonds is $150,688 ($231,976 in 2000).

	Remaining Term to Maturity					
Notional Principal	**Within 1 Year**	**Over 1 To 3 Years**	**Over 3 To 5 Years**	**Over 5 Years**	**Total 2001**	Total 2000
Interest-rate swaps	**$ 18,687**	**$ 33,929**	**$ 4,420**	**$ -**	**$ 57,036**	$ 73,741
Forward foreign exchange contracts	**77,490**	**-**	**-**	**-**	**77,490**	87,384
Equity index swaps	**143,426**	**-**	**-**	**-**	**143,426**	175,735
Bond index swaps	**36,947**	**-**	**-**	**-**	**36,947**	120,713
Cross-currency interest rate swaps	**48,419**	**17,999**	**25,536**	**57,544**	**149,498**	230,046
	$ 324,969	**$ 51,928**	**$ 29,956**	**$ 57,544**	**$ 464,397**	$ 687,619

Notional principal amounts in swaps and foreign exchange contracts are the contractual amounts on which payments are made. They are not indicative of the credit exposure with derivative products. On the other hand, as described in Note 2, the replacement value is determined by the net unrealized gains or losses, accrued interest receivable or payable and premiums paid or received. If the counterparty to the derivative fails to discharge their obligation, then the replacement value is the credit exposure of the WCB.

Credit Risk Management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument fails to perform. Counterparties for derivative contracts will have at least an AA credit rating. The issuer for fixed-term investments will have at least a BBB credit rating. Specific rules have been established to ensure the credit rating of a counterparty does not fall below a threshold deemed acceptable by the WCB. The WCB does not anticipate that any counterparties will fail to meet their obligations.

The WCB invests in publicly and privately traded shares and bonds available on domestic and foreign exchanges. These shares and bonds are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

The WCB may lend any of its investments to third parties provided the loans are secured by cash or readily marketable securities having a market value of 105% of the loan. As of December 31, 2001, secured loans amounted to $333,481 ($243,393 in 2000).

Foreign Exchange Risk Management

The WCB has certain obligations and investments denominated in foreign currencies. The WCB does not undertake long-term hedging strategies for the currency risk of foreign investments. The WCB undertakes long-term investment strategies; however, currency fluctuations may affect short-term returns. These fluctuations are not expected to affect the long term position of the investment portfolio. As of December 31, 2001, forward foreign exchange contracts amounted to $77,490 ($87,384 in 2000).

Interest Risk Management

Fluctuations in interest rates are managed by actively managing the duration of the fixed-term portfolio. The WCB also enters into various types of interest rate contracts in managing interest rate risk. The table below represents the remaining term to maturity of the WCB's outstanding fixed-term investments.

	Remaining Term to Maturity				
Market Value	**Within 1 Year**	**Over 1 Year To 5 Years**	**Over 5 Years**	**Total 2001**	Total 2000
Fixed-Term Investments	**$ 49,236**	**$ 485,151**	**$1,058,793**	**$1,593,180**	$1,892,136

The fixed term investments include bonds, debentures, and other interest bearing instruments. The average effective yield of these fixed-term investments, excluding the investment in real return bonds, is 5.33% (5.95% in 2000) per annum based on market value.

6. CAPITAL ASSETS (thousands of dollars)

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,119	$ 0	$ 1,119	$ 1,119
Buildings	39,429	(14,959)	24,470	11,483
Equipment	6,977	(3,524)	3,453	4,453
Computer software	80,660	(45,709)	34,951	30,621
	$ 128,185	$ (64,192)	$ 63,993	$ 47,676

7. PAYABLES AND ACCRUALS (thousands of dollars)

	2001	2000
Accrued staff benefits	$ 16,221	$ 13,589
Partners In Injury Reduction	24,747	15,897
Other	19,104	18,181
	$ 60,072	$ 47,667

8. DEFERRED REVENUE (thousands of dollars)

	Deferred Realized Gains (Losses)			
	2001			2000
	Fixed Term	Equities	Total	Total
2002	$ 18,504	$ 84,831	$ 103,335	$ 281,527
2003	16,019	42,519	58,538	71,447
2004	16,045	1,489	17,534	35,288
2005	15,134	(9,783)	5,351	11,131
2006 - 2010	37,193	-	37,193	17,174
	$ 102,895	$ 119,056	$ 221,951	$ 416,567

9. CLAIM BENEFIT LIABILITIES (thousands of dollars)

	2001							2000
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehab-ilitation	Claim Admin	Total	Total
Balance at beginning of year	$ 540,200	$ 1,309,900	$ 438,500	$ 649,400	$ 113,300	$ 175,100	$3,226,400	$3,000,800
Add:								
Claim costs incurred:								
Current year injuries	218,681	84,699	17,188	173,829	32,874	64,385	591,656	532,234
Prior years' injuries	142,473	107,570	17,364	61,138	17,082	(21,160)	324,467	269,060
	361,154	192,269	34,552	234,967	49,956	43,225	916,123	801,294
	901,354	1,502,169	473,052	884,367	163,256	218,325	4,142,523	3,802,094
Deduct:								
Claim payments made:								
Current year injuries	74,381	759	1,024	53,629	1,674	16,885	148,352	144,096
Prior years' injuries	139,073	155,810	37,228	95,638	28,982	44,740	501,471	431,598
	213,454	156,569	38,252	149,267	30,656	61,625	649,823	575,694
Balance at end of year	$ 687,900	$ 1,345,600	$ 434,800	$ 735,100	$ 132,600	$ 156,700	$3,492,700	$3,226,400

The following is a reconciliation of the claim benefit liabilities:

	2001	2000
Balance at beginning of year	$ 3,226,400	$ 3,000,800
Add:		
Provision for current year injuries	443,304	388,137
Interest allocated	210,900	187,700
Claim cost experience higher than expected	174,818	79,800
	4,055,422	3,656,437
Deduct:		
Payments, for prior years' injuries, excluding self-insured employers	493,722	424,937
Revision to actuarial methodology	29,400	7,700
Difference between actual and expected long-term cost of living adjustments	26,400	(2,600)
Procedure change re: pension commutation	13,200	-
	562,722	430,037
Balance at end of year	$ 3,492,700	$ 3,226,400

10. INVESTMENT REVENUE (thousands of dollars)

	2001	2000
Dividends and interest		
Fixed-term	**$ 107,423**	$ 128,721
Equity	**31,427**	27,716
Real estate	**6,731**	6,863
	145,581	163,300
Add:		
Amortized realized and unrealized gains	**185,720**	266,180
	331,301	429,480
Deduct:		
Investment related administration expenditures	**919**	672
	$ 330,382	$ 428,808

11. OTHER REVENUE (thousands of dollars)

	2001	2000
Millard Health Centre (Note 12)	**$ 779**	$ 1,175
Access to information	**779**	670
Prejudgment interest	**712**	504
Legal consultation	**573**	394
Other	**26**	52
	$ 2,869	$ 2,795

12. MILLARD HEALTH CENTRE (thousands of dollars)

	2001	2000
Revenue		
Charged to health care claim costs	**$ 17,359**	$ 15,549
Non-WCB treatment services	**1,973**	375
	19,332	15,924
Expenditures		
Salaries and employee benefits	**13,164**	10,692
Office and communications	**2,477**	1,586
Consulting fees	**1,461**	1,253
Building operations	**903**	968
Travel and vehicle operation	**454**	212
Amortization of capital assets	**94**	38
	18,553	14,749
Operating Surplus	**$ 779**	$ 1,175

13. ADMINISTRATION EXPENDITURES (thousands of dollars)

	Customer Services	Corporate Services	2001	2000
Salaries and employee benefits (Schedule A)	**$ 64,183**	**$ 17,812**	**$ 81,995**	$ 84,505
Office and communications	**19,831**	**1,496**	**21,327**	23,287
Amortization of capital assets	**8,600**	**2,558**	**11,158**	8,468
Consulting fees	**1,188**	**2,311**	**3,499**	5,856
Building operations	**2,469**	**659**	**3,128**	4,133
Travel and vehicle operation	**764**	**350**	**1,114**	1,367
Other	**16**	**122**	**138**	106
	$ 97,051	**$ 25,308**	**122,359**	127,722
Allocate:				
Claim administration costs			**61,625**	65,433
Charged to investment revenue			**919**	562
			$ 59,815	$ 61,727

Customer Services relates to all activities associated with Risk and Disability Management. Corporate Services relates to all activities associated with Human Resources, Legal Services, Finance, Corporate Communications, and Administrative Services.

14. SELF-INSURED EMPLOYERS (thousands of dollars)

These financial statements include the effects of transactions carried out for self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administration expenditures. Currently, the Federal Government is the only self-insurer. This is a contractual relationship in accordance with the *Government Employees Compensation Act*. Certain government related entities and railways are responsible for the cost of injuries to their workers which occurred when they were self-insured in prior years. Aggregate amounts of such premiums and offsetting expenditures are contained in the Statement of Operations as follows:

	2001	2000
Premium revenue	**$ 8,726**	$ 7,558
Claim costs incurred:		
Short-term disability	**$ 1,893**	$ 1,644
Long-term disability	**2,910**	1,751
Survivor benefits	**693**	1,067
Health care	**1,946**	1,713
Rehabilitation	**204**	166
	7,646	6,341
Administration expenditures	**1,080**	1,217
	$ 8,726	$ 7,558

15. INJURY REDUCTION (thousands of dollars)

	2001	2000
Occupational Health and Safety	**$ 6,000**	$ 6,000
Safety Associations	**4,699**	4,393
Voluntary Incentive Plan	**-**	(364)
	$ 10,699	$ 10,029

The WCB has a statutory obligation to reimburse the Minister of Finance a portion of the costs associated with occupational health and safety.

Funding is provided to industry-sponsored safety associations for the purpose of improving the workplace.

The Voluntary Incentive Plan is based on the premise that injuries, and in turn claim costs, can be reduced through health and safety management. Financial incentives are provided to employers who reduce claim costs. 1999 was the last year of the Voluntary Incentive Plan. It has been replaced with the Partners in Injury Reduction Program which is netted against premium revenue.

16. APPEALS COMMISSION

The Appeals Commission is a separate legal entity whose operating costs are paid by the WCB from the Accident Fund in accordance with Section 11 of the *Workers' Compensation Act*. The Appeals Commission is managed separately from the WCB.

17. COMMITMENTS (thousands of dollars)

A number of operating leases exist for computer equipment and office space. The following is a schedule of future lease payments to be charged to administration expenditures:

2002	$ 9,231
2003	5,053
2004	1,803
2005	256
Beyond	3,730
	$ 20,073

18. LONG-STANDING CONTENTIOUS CLAIMS

The Minister, Alberta Human Resources & Employment (HR&E) initiated in 1999/2000 two Review Committees to review the workers' compensation system with the intended purpose being to recommend any policy, legislative and regulatory changes to improve service delivery and accountability. One of the recommendations was to establish a one-time, independent tribunal, with the authority to review long standing contentious claims. Following up this recommendation was the creation by the Minister, HR&E, in 2001, of a Tribunal Task Force to recommend further detail in addressing the long standing contentious claims. These financial statements do not contain any allowance for contingent liabilities in respect to any resulting costs arising from this recommendation, as the amounts are not presently determinable.

18. BUDGET

The Board of Directors approved the budget in October, 2000. The budget is presented for comparison with the 2001 actual figures.

20. COMPARATIVE FIGURES

The 2000 figures are reclassified where necessary to conform to 2001 presentation.

WCB-Alberta salaries and benefits

Schedule A

December 31, 2001

	2001					2000	
	Number of Individuals	Salary[1]	Benefits[2][3]	Other	Total	Number of Individuals	Total
Chairman, Board of Directors[4]	1	$ 58,728	$ 1,496	$ -	$ 60,224	1	$ 71,934
Board Members[4]	9	194,140	6,671	-	200,811	9	171,704
	10	252,868	8,167	-	261,035	10	243,638
President and Chief Executive Officer	1	328,022[5]	48,360[6]	-	376,382	1	353,378
Vice President, Customer Service and Disability Management	1	204,979	46,071	-	251,050	1	229,352
Vice President, Customer Service and Risk Management	1	189,375	25,482	-	214,857	1	204,793
Vice President, Business Development and Information Management	1	189,987	42,273	-	232,260	1	220,367
Vice President, Employee and Corporate Services	1	142,097[7]	21,990	-	164,087	-	-
Vice President, Chief Information Officer	-	-	-	-	-	-	37,190[8]
Chief Financial Officer	1	192,007[9]	59,106	-	251,113	1	215,920
Secretary and General Counsel	1	178,712	27,607	-	206,319	1	207,631
	7	1,425,179	270,889	-	1,696,068	6	1,468,630
Full-Time Staff: (2001 - $56,597; 2000 - $54,288)	1,527	75,037,871	11,386,243	-	86,424,114	1,598	86,752,775
Termination Benefits	-	-	-	2,589,337[10]	2,589,337	-	2,344,044
Long-Term Disability	-	-	-	2,308,566[11]	2,308,566	-	3,251,611
Provincial Pension Plans	-	-	-	-	-	-	(963,178)[12]
Other Staff Related Expenses	-	-	-	1,879,872[13]	1,879,872	-	2,100,114
Less: Salaries & Benefits for Millard Health	-	(11,212,272)	(1,951,284)	-	(13,163,556)	-	(10,692,069)
Administration – Salaries and Benefits[14]		$ 65,503,646	$ 9,714,015	$ 6,777,775	$81,995,436		$84,505,566

(1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractors' fees.

(2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Employment Insurance, Public Service and Management pension plans, medical benefits, group life insurance, disability plans, employee and family assistance plan, professional memberships and tuition, long service, suggestion and retirement awards, and vacation payout.

(3) No amount included in benefits and allowances for car allowances, car insurance, or the value of parking and interest-free loans.

(4) The Chairman of the Board of Directors and Board Members are part-time positions.

(5) Salary includes base salary of $256,267.00 and measured variable pay for performance of $71,755.00.

(6) The President and Chief Executive Officer does not participate in the Public Service Benefit Plan. The Board of Directors has provided her with an amount in lieu of pension paid directly.

(7) The appointment to the position was effective April 2001.

(8) The position of VP-Chief Information Officer was abolished effective February 2000.

(9) The position of Vice President and Chief Financial Officer was replaced by Chief Financial Officer effective May 2001.

(10) Termination benefits include retiring allowances, accrued sick leave and other settlement costs due to loss of employment. Included in the termination benefits is $265,000.00 paid to the Vice President and Chief Financial Officer.

(11) The adjustment to the liability for long-term disability claims reflects changes to the actuarial present value of all future payments expected to be made for claims which have occurred in current and prior years.

(12) Represents adjustments to Provincial Pension Plan Liabilities.

(13) Other staff related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retirees benefits and relocation costs.

(14) Excluded from this total is the Appeals Commission as it is a separate legal entity. See Schedule A-1 for details.

Appeals Commission salaries and benefits

Schedule A-1

December 31, 2001

	2001					2000	
	Number of Individuals	**Salary[1]**	**Benefits[2][3]**	**Other**	**Total**	Number of Individuals	Total
Chief Appeals Commissioner	1	$ 124,963	$ 17,461	$ -	$ 142,424	1	$ 139,979
Full-Time Commissioners	11	902,159	154,494	-	1,056,653	9	699,811
Temporary Appeals Commissioners	25	618,771	18,749	-	637,520	28	691,878
	37	1,645,893	190,704	-	1,836,597	38	1,531,668
Other Full-Time Staff (2001 - $50,328; 2000 - $55,399)	41	1,785,464	277,999	-	2,063,463	39	2,160,550
Termination Benefits	-	-	-	-	-	-	-
Long-Term Disability	-	-	-	-	-	-	-
Other Staff-Related Expenses	-	-	-	36,876	36,876[4]	-	9,132
TOTAL		$ 3,431,357	$ 468,703	$ 36,876	$ 3,936,936		$ 3,701,350

The Appeals Commission is a separate legal entity funded by the accident fund, but is administered separately from the Workers' Compensation Board.

(1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractor's fees.

(2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Employment Insurance, Public Service and Management pension plans, medical benefits, group life insurance, disability plans, employee and family assistance plan, professional memberships and tuition, long service, suggestion and retirement awards, and vacation payout.

(3) No amount included in benefits and allowances for: car allowances, car insurance, or the value of parking and interest-free loans.

(4) Other staff-related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retirees' benefits and relocation costs.

Year at a glance

	2001	2000
Number of workers covered	**1,303,202**	1,214,886
Lost-time claim rate (per 100 workers)	**3.1**[1]	3.3
Number of new claims reported	**145,916**	146,361
Number of lost-time claims	**40,200**[1]	40,457
Number of recurrent claims[2]	**19,863**	23,511
New non-economic loss and permanent disability awards	**2,888**	2,578
Fatal claims accepted	**118**	118
Lost-time claims disallowed on the basis of ineligibility	**0.9%**	2.1%
Number of new appeals	**3,564**	3,706
Return-to-work percentage	**86.4%**	87.2%
Claim costs (thousands)	**$916,123**	$801,294
Registered employers	**101,031**	96,194
Premium revenue (thousands)	**$508,640**	$393,771
Average actual premium rate (per $100 of insurable earnings)	**$1.31**	$1.11
Investment revenue	**$330,382**	$428,808
Fund balance (thousands)	**$221,927**	$376,738
Occupational disease reserve (thousands)	**$226,500**	$221,500

[1] Lost-time claims and the lost-time claim rate are projected. This approach is taken to ensure claims for accidents occurring in 2001, but not reported by year end, are considered.

[2] Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons such as payments for medical aid or requests for further compensation benefits.

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